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**U.S. Securities and Exchange Commission**  
Washington, D.C. 20549

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**FORM 10-K**

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**ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.**

For the fiscal year ended November 30, 2017

**TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.**

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

Commission File Number 000-23386

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**CRYO-CELL INTERNATIONAL, INC.**

(Exact Name of registrant as specified in its charter)

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**DELAWARE**  
(State or other jurisdiction of  
incorporation or organization)

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

**700 Brooker Creek Blvd, Suite 1800, Oldsmar, FL 34677**  
(Address of principal executive offices) (Zip Code)

Registrant's telephone number: (813) 749-2100

Securities registered pursuant to Section 12 (b) of the Act:

Title of each class  
None

Securities registered pursuant to Section 12 (g) of the Act:

Common Stock, par value \$0.01 per share  
(Title of class)

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Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes  No

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

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 during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. Yes  No

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

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company	<input checked="" type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 7(a)(2)(B) of the Securities Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Securities Exchange Act of 1934). Yes  No

The aggregate market value of the Registrant's Common Stock held by non-affiliates of the Registrant is computed by reference to the price at which the common stock was last sold as of the last business day of the Registrant's most recently completed second fiscal quarter (May 31, 2017) was \$23,416,774.

State the number of shares outstanding of each of the Registrant's classes of common stock, as of the latest practicable date. As of February 15, 2018, 12,900,767 shares of \$0.01 par value common stock were issued and 7,105,191 were outstanding.

**DOCUMENTS INCORPORATED BY REFERENCE**

None.

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TABLE OF CONTENTS

	<b>Page</b>
<b>PART I</b>	
	3
	3
ITEM 1A.	12
ITEM 1B.	12
ITEM 2.	12
ITEM 3.	13
ITEM 4.	14
<b>PART II</b>	
ITEM 5.	14
ITEM 6.	15
ITEM 7.	15
ITEM 7A.	26
ITEM 8.	26
ITEM 9.	62
ITEM 9A.	63
ITEM 9B.	64
<b>PART III</b>	
ITEM 10.	64
ITEM 11.	67
ITEM 12.	74
ITEM 13.	76
ITEM 14.	76
<b>PART IV</b>	
ITEM 15.	78
ITEM 16.	79
	80

---

## Table of Contents

### **Forward-Looking Statements**

This Form 10-K, 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". The terms "Cryo-Cell International, Inc.," "Cryo-Cell," "Company," "we," "our" and "us" refer to Cryo-Cell International, Inc. The words "expect," "believe," "goal," "plan," "intend," "estimate" and similar expressions and variations thereof, if used, are intended to specifically identify forward-looking statements. Those statements appear in a number of places in this Form 10-K 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, our future performance and operating results, our future operating plans, our liquidity and capital resources; and our legal proceedings. Investors and prospective investors are cautioned that any such forward-looking statements are not guarantees of future performance and involve risks and uncertainties, and that actual results may differ materially from those projected in the forward-looking statements as a result of various factors.

### **ITEM 1. BUSINESS.**

#### **Introduction**

Cryo-Cell International, Inc. (the "Company" or "Cryo-Cell") is a Delaware corporation that was incorporated in 1989. The Company is organized in two reportable segments, cellular processing and cryogenic storage, with a current focus on the collection and preservation of umbilical cord blood and tissue stem cells for family use and the manufacture of PrepaCyte<sup>®</sup> CB Processing System ("PrepaCyte CB") units, the processing technology used to process umbilical cord blood stem cells. The Company, in combination with its global affiliates, currently stores nearly 450,000 cord blood and cord tissue specimens worldwide for the exclusive benefit of newborn babies and possibly other members of their families. Founded in 1989, the Company was the world's first private cord blood bank to separate and store stem cells in 1992. All aspects of its U.S.-based business operations, including the processing and storage of specimens, are handled from its headquarters facility in Oldsmar, Florida. The specimens are stored in commercially available cryogenic storage units at this technologically and operationally advanced facility.

In recent years, utilizing its infrastructure, experience and resources derived from its umbilical cord blood stem cell business, 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 fiscal 2011, the Company introduced the advanced new cord tissue service, which stores a section of the umbilical cord tissue. The Company offers the cord tissue service in combination with the umbilical cord blood service. This service is growing; however, the umbilical cord blood service continues to be the Company's main focus.

**Consistent with its fiduciary duties, the board of directors and management has reviewed and will continue to review strategic options and opportunities for the Company, in order to maximize shareholder value. These options may include, but are not limited to, strategic mergers or acquisitions, investments in other public and/or private companies, repurchases of RSA interests, a deregistration of the Company's common stock under the Securities Exchange Act of 1934 or a going-private transaction. These options may or may not be related to the Company's current business. In order to undertake any of the aforementioned activities, the Company may take on substantial debt or equity capital which could increase the risk of investment in the Company.**

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## [Table of Contents](#)

### **Cord Blood Stem Cell Processing and Storage Business**

#### ***Background of Business***

Nearly fifty years ago researchers discovered that cells could be cryopreserved at extremely low temperatures and all cellular activity would cease until the specimens were thawed. Historically, cryopreservation was required for organ transplants, blood banking and medical research. Today, cryopreservation of umbilical cord blood stem cells gives individuals the opportunity to potentially take advantage of evolving cellular therapies and other medical technologies.

Hematopoietic stem cells are the building blocks of our blood and immune systems. They form the white blood cells that fight infection, red blood cells that carry oxygen throughout the body and platelets that promote healing. Stem cells are found in bone marrow where they continue to generate cells throughout our lives. Stem cells can be stored in a cryogenic environment, and upon thawing, infused into a patient. They can be returned to the individual from whom they were taken (autologous) or donated to someone else (allogeneic). An individual's own bone marrow may be used for a transplant if the cancer has not entered the marrow system (metastasized). Otherwise, a marrow donor needs to be identified to provide the needed bone marrow. The availability of a marrow donor or matched stem cell specimen allows physicians to administer larger doses of chemotherapy or radiation in an effort to eradicate the disease. Stem cell therapies and transplants are used for both cancerous and non-cancerous diseases.

Stem cells are found in umbilical cord blood ("cord blood stem cells") and can be collected and stored after a baby is born. Over 35,000 cord blood stem cell transplants have been performed to date. The Company believes that parents will want to save and store these cells for potential future use by their family, either for the donor or for another family member. Moreover, researchers believe they may be utilized in the future for treating diseases that currently have no cure.

The Company believes that the market for cord blood stem cell preservation is enhanced by global discussion on stem cell research developments and the current focus on reducing prohibitive health care costs. With the increasing costs of bone marrow matches and transplants, a newborn's umbilical cord blood cells can be stored as a precautionary measure. Medical technology is constantly evolving which may provide new uses for cryopreserved cord blood stem cells.

#### ***Our Cord Blood Stem Cell Storage Services***

The Company enters into storage agreements with its clients under which the Company charges a fee for the processing and testing and first year of storage of the umbilical cord blood. Thereafter, the client is charged an annual fee to store the specimen, unless the client has entered into a 21-year pre-paid storage plan or a lifetime pre-paid storage plan.

The Company's corporate headquarters are located in a nearly 18,000 square-foot state-of-the-art current Good Manufacturing Practice and Good Tissue Practice (cGMP/cGTP)-compliant facility. Food and Drug Administration ("FDA") 21 CFR Part 1271, effective in May 2005, requires human cellular and tissue-based products to be manufactured in compliance with good tissue practices (cGTPs). The Company's laboratory processing facility contains a Class 10,000 clean room and Class 100 environments for the processing of cord blood stem cells and other cellular tissues. In addition, the cellular products cryogenic storage area has been designed as a "bunker," with enhanced provisions for security, building fortification for environmental element protection and back-up systems for operational redundancies. The Company believes that it was the first private bank to process cord blood in a technologically and operationally advanced cGMP/cGTP-compliant facility. The Company's facility, which also currently houses the Company's client services, marketing and administrative operations, is designed to accommodate a broad range of events such as client tours and open houses, as well as educational workshops for clinicians and expectant parents.

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## Table of Contents

### *Competitive Advantages*

The Company believes that it provides several key advantages over its competitors, including:

- The world's first private cord blood bank, with an established client base exceeding 300,000 worldwide,
- our status as a cGMP- and cGTP-compliant private cord blood bank with International Organization for Standardization ("ISO") certification, AABB accreditation and FACT (the Foundation for the Accreditation for Cellular Therapy) accreditation,
- a state-of-the-art laboratory processing facility,
- utilization of a processing method using superior technology that yields the maximum recovery of healthy stem cells and provides superior red blood depletion over all other methods,
- a safe, secure and monitored storage environment,
- since inception, 100% viability rate of the Company's specimens upon thaw for therapeutic use,
- a state-of-the-art, insulated collection kit that protects cord blood specimens thirty times longer under extreme conditions than competitor's kits,
- 7 day per week processing capability, and
- a payment warranty under which the Company agrees to pay \$50,000 (effective February 1, 2012 this payment was increased to \$75,000 for new clients) to its client if the umbilical cord blood 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.

### **Cord Tissue**

In August 2011, the Company introduced its advanced new cord tissue service, which stores a section of the umbilical cord tissue. Approximately six inches of the cord tissue is procured and transported to the Company's laboratory for processing, testing and cryopreservation for future potential use. Umbilical cord tissue is a rich source of mesenchymal stem cells (MSCs). Mesenchymal stem cells have many unique functions including the ability to inhibit inflammation following tissue damage, to secrete growth factors that aid in tissue repair, and to differentiate into many cell types including neural cells, bone cells, fat cells and cartilage. MSCs are increasingly being researched in regenerative medicine for a wide range of conditions including heart and kidney disease, ALS, wound healing and auto-immune diseases. Mesenchymal stem cells from several different tissues are being tested in clinical trials for efficacy. Specifically, cells derived from cord tissue are currently being used in many clinical trials. Disorders being treated include cardiomyopathy, ulcerative colitis, diabetes, anemia, autism and cirrhosis of the liver.

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## Table of Contents

### **Marketing**

#### *Marketing Approach*

It is the Company's mission to inform expectant parents and their prenatal care providers of the potential medical benefits from preserving stem cells and to provide them the means and processes for collection and storage of these cells. Today, stem cell transplants are known and accepted treatments for approximately 80 diseases, a number of them life-threatening. With continued research in this area of medical technology, other therapeutic uses for cord blood stem cells are being explored. A vast majority of expectant parents are simply unaware that umbilical cord blood contains a rich supply of non-controversial stem cells and that they can be collected, processed and stored for the potential future use of the newborn and possibly related family members. A baby's stem cells are a perfect match for the baby throughout its life and have a 1-in-4 chance of being a perfect match and a 3-in-4 chance of being an acceptable match for a sibling. There is no assurance, however, that a perfect match means the cells could be used to treat certain diseases of the newborn or a relative. Today, it is still common for the cord blood (the blood remaining in the umbilical cord and placenta) to be discarded at the time of birth as medical waste.

Despite the potential benefits of umbilical cord blood stem cell preservation, the number of parents of newborns participating in stem cell preservation is still relatively small compared to the number of births (four million per annum) in the United States. Some reasons for this low level of market penetration are the misperception of the high cost of stem cell storage and a general lack of awareness of the benefits of stem cell preservation programs. However, evolving medical technology could significantly increase the utilization of the umbilical cord blood for transplantation and/or other types of treatments. The Company believes it offers the highest quality, highest value service targeted to a broad base of the market. We intend to maximize our growth potential through our superior quality, value-driven competitive leadership position, product differentiation, an embedded client base, increased public awareness and accelerated market penetration.

#### *Umbilical Cord Blood and Cord Tissue Services*

The Company markets its cord blood stem cell preservation services directly to expectant parents and by distributing information through obstetricians, pediatricians, childbirth educators, certified nurse-midwives and other related healthcare professionals. The Company believes that its revenues have been facilitated by a variety of referral sources, resulting from high levels of customer satisfaction. New expectant parent referrals during fiscal 2017 were provided by physicians, midwives and childbirth educators, and by client-to-client referrals and repeat clients storing the stem cells of their additional children.

The Company has a national sales force to increase its marketing activities with its clinical referral sources, including physicians, midwives and hospitals. Promotional activities also include advertisements in clinical journals and telemarketing activities. In addition, the Company exhibits at conferences, trade shows and other meetings attended by medical professionals. Significant portions of client referrals to the Company are from medical caregiver professionals.

To increase awareness among expectant parent audiences, the Company continues to promote its service through internet marketing. Expectant parents have also received information via emails and internet marketing campaigns.

The Company's client support team advisors are available by telephone to enroll clients and educate both expectant parents and the medical community on the life-saving potential of cord blood stem cell preservation.

The Company continues to use its website, [www.cryo-cell.com](http://www.cryo-cell.com), to market its services and to provide resource information to expectant parents. The site, which is frequently updated and improved, is divided into areas of interest, including sections for expectant parents, medical caregivers and investors. Expectant parents may request and receive information about the umbilical cord blood and cord tissue service and enroll online. Viewers may read about successful transplants using Cryo-Cell stored cord blood stem cells and access other topical information. Information on our website is not incorporated into this Annual Report on Form 10-K and should not be considered part of this Annual Report on Form 10-K.

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## [Table of Contents](#)

### **Competition**

Growth in the number of families banking their newborn's cord blood stem cells has been accompanied by an increasing landscape of competitors. The Company competes against approximately 25 other national private cord blood banks.

Some of these competitors may have access to greater financial resources. Nevertheless, the Company believes it is currently well positioned to compete in the industry. Importantly, the Company believes that some competitors charge more for comparable (or even inferior) quality service. In addition, the Company possesses an industry-recognized AABB accreditation, and believes that it was the first private cord blood bank to process in a cGMP- and cGTP-compliant facility exceeding current FDA requirements. In November 2005, the Company was granted ISO 9001:2008 certification from BSI America's, Inc., a leading quality management systems registrar. ISO (International Organization for Standardization) standards are internationally recognized as an effective framework for a quality management system. During 2014, the Company was granted FACT (the Foundation for the Accreditation for Cellular Therapy) accreditation. These achievements position Cryo-Cell as an industry quality leader as a cGMP- and cGTP-compliant private cord blood bank with ISO certification, AABB and FACT accreditations.

The Company also operates in an environment where various public cord blood banks are encouraging parents to donate their newborn's cord blood rather than privately banking it. Although this option is generally no-cost to the parents, there is no assurance that the newborn's cells would be available to the family, if they were needed. The Company believes that the distinctive benefits of private cord blood banking clearly differentiate its services from that of public cord banks.

The Company believes that its longevity and experience; value-based pricing strategy; superior customer service; premier technical and operational expertise; state-of-the-art facilities; innovative marketing programs and its expansive client base will continue to provide a competitive advantage.

### **Government Regulation**

The Company is required to register with the FDA under the Public Health Service Act because of its ongoing cellular storage business and is subject to FDA inspection. This requirement applies to all establishments engaged in the recovery, processing, storage, labeling, packaging, or distribution of any Human Cells, Tissues, and Cellular and Tissue-Based Products ("HCT/Ps") or the screening or testing of a cell or tissue donor. In addition, with the purchase of the manufacturing rights to the PrepaCyte CB Processing System on June 30, 2015, Cryo-Cell is required to register this product as a Medical Device under the Federal Food, Drug, and Cosmetic Act which is also subject to FDA inspection. At November 30, 2017 and November 30, 2016, the Company was in compliance with these requirements.

The division of FDA which regulates HCT/Ps is the Center for Biologics Evaluation and Research ("CBER"). The section of FDA Code of Federal Regulations ("CFR") pertaining to cord blood is 21 CFR 1271. Since 2004, the FDA has formulated a "Tissue Action Plan" which consists of these three rules:

1. As of January 21, 2004, all cord blood banks are required to register with the FDA. Any cord blood bank which has a laboratory should be on the web page of FDA Registered Establishments.
2. The second rule was published May 20, 2004, and became effective May 25, 2005. It pertains to donor eligibility. This rule requires more screening of donors for communicable diseases.



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## Table of Contents

3. The final rule establishes FDA standards of current Good Tissue Practice (“GTP”) for laboratories which process HCT/Ps. This rule was published November 19, 2004, became effective May 25, 2005, and is intended to prevent contamination or cross-contamination during the handling of HCT/Ps.

These three FDA rules apply only to cord blood processed on or after the effective date of May 25, 2005. The final rule allows the FDA to inspect cord blood laboratories to determine compliance with the provisions of 21 CFR Part 1271. As part of this oversight authority, the FDA conducts unannounced inspections of cord blood banks.

The PrepaCyte CB (Cord Blood) Processing System is intended for use in cell processing laboratories to process and store total nucleated cells (TNC) from human umbilical cord blood, prior to banking. The device is composed of three integrally-attached processing and storage containers (or a single processing container) with separation media. The system is 510K cleared as a Class II device. The division of the FDA which regulates this product is the Center of Biologics Evaluation and Research (“CBER”). Approval to market the device was determined by the Office of Cellular, Tissue and Gene Therapies. The section of FDA Code of Federal Regulations (“CFR”) pertaining to medical device is 21 CFR 800s. The requirements for compliance to this section include annual registration of the device, listing of devices with the FDA, good manufacturing practice, labeling, and prohibitions against misbranding and adulteration.

Currently, the states of California, Illinois, Maryland, New Jersey and New York require cord blood banks to be registered or licensed. The Company is currently registered or licensed to operate in these states. If the Company identifies other states with licensing requirements or if other states adopt such requirements, the Company would have to obtain licenses or registration to continue providing cord blood services in those states.

Federal and state laws govern the Company’s ability to obtain and, in some cases, to use and disclose data that we may need to conduct certain activities. The Health Insurance Portability and Accountability Act of 1996 (“HIPAA”) requires the Department of Health and Human Services to issue a series of regulations establishing standards for the electronic transmission of certain health information. The Company is not subject to HIPAA because the Company does not engage in certain electronic transactions related to the reimbursement of healthcare providers and because blood and tissue procurement and banking activities are exempt. However, the healthcare providers that collect umbilical cord blood for the Company’s customers are subject to HIPAA. The identifiable information shared is only what is permitted by HIPAA. In 2009, a portion of the American Recovery and Reinvestment Act of 2009 modified HIPAA under the Health Information Technology for Economic and Clinical Health Act (“HITECH Act”). While the Company is still not subject to HIPAA for the reasons stated above the Company may incur material expenses associated with compliance efforts. In addition, compliance may require management to spend substantial time and effort on compliance measures. If the Company fails to comply with HIPAA, it could suffer criminal and civil penalties. The civil penalties could include monetary penalties ranging from \$100 per violation to \$1.5 million depending on the level of violation.

The Company is also subject to local, state and federal laws and regulations relating to safe working conditions, laboratory and manufacturing practices and the use and disposal of hazardous or potentially hazardous substances. These laws include the Occupational Safety and Health Act (“OSHA”), cGTPs, cGMPs, Environmental Protection Act and those of the local Department of Health.

OSHA requires all employers to assure safe and healthful working conditions for working men and women through development and implementation of work standards, education, and training. OSHA enforces the standards developed under the Act, applicable to all employers in the U.S. and its territories. cGTPs are laws, enforced by the FDA, that define and govern methods used in the manufacture of Human Cells, Tissues, and cellular and tissue-based Products (HCT/Ps). Current Good Manufacturing Practices (cGMPs) are laws, enforced by the FDA, that define and govern methods used in the manufacture of drugs and finished pharmaceuticals. Both of the latter federal practices, or laws, govern the Company’s products.

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## **Table of Contents**

The Environmental Protection Agency (EPA) governs the management and proper disposal of products and by-products or waste. These products must be disposed in a manner that does not adversely affect the environment from which it came or where disposed of. The Department of Health on the local level primarily regulates systems and associated equipment employed in recovery activities such as back-up generators; therefore, governing specific internal processes.

Evolving legislation and regulations governing private cord blood banking in various jurisdictions throughout the world may impact the Company's international licenses.

In addition, as the organization grows and evolves, other legislation and regulations are expected to impact the Company. One such evolution involves activities that may be designated as or involve medical research or cooperative agreements associated with medical research. These types of activities are also governed by the FDA, specifying oversight by an Institutional Review Board (IRB). The IRB is a board or committee that approves the initiation of, and conducts periodic review of, biomedical research involving human subjects. The primary purpose of such review is to assure the protection of the rights and welfare of the human subjects. Governance of biomedical research is codified as laws by Title 21 of the Code of Federal Regulations (CFR) Part 56, and enforced by the FDA. Other medical research associated with clinical trials may require an Investigational New Drug Application (IND). Current Federal law requires that a drug be the subject of an approved marketing application before it is transported or distributed across state lines. Because a sponsor will likely want to ship the investigational drug to clinical investigators in many states, it must seek an exemption from that legal requirement. The IND is the means through which the sponsor technically obtains this exemption from the FDA. This approval would be required in the case of a clinical trial.

### **Subsidiaries and Joint Ventures**

Since its inception, Cryo-Cell has entered into a number of business activities through subsidiaries and joint ventures, including the following activities and those described under "International" below. The Company continues to evaluate and pursue, certain opportunities for global expansion, on a selective basis, in which operational synergies and economic potential align with Cryo-Cell's strategic direction.

***Saneron CCEL Therapeutics, Inc. ("Saneron")***. Saneron is the owner and/or exclusive licensee of certain technology developed by and/or in collaboration with the University of South Florida and the University of Minnesota. The technology covers various patents, patent applications and trade secrets for the therapeutic use of umbilical cord blood stem cells (U-CORD-CELL<sup>®</sup>) and Sertoli cells (SERT-CELL<sup>™</sup>). As of November 30, 2017 and November 30, 2016, the Company had an ownership interest of approximately 33% in Saneron which is accounted for under the equity method. As of November 30, 2017 and November 30, 2016, the net Saneron investment, which represents underlying goodwill, is reflected on the consolidated balance sheets at \$0.

### **Revenue Sharing Agreements ("RSAs")**

The Company entered into RSAs prior to 2002 with various third and related parties. The Company's RSAs provide that in exchange for a non-refundable up-front payment, the Company would share for the duration of the RSA a percentage of its future revenue derived from the annual storage fees related to a certain number of specimens that originated from specific geographical areas. The RSAs have no definitive term or termination provisions. The sharing applies to the storage fees collected for all

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## Table of Contents

specified specimens in the area covered by the RSA up to the number covered in the RSA. When the number of specimens is filled, any additional specimens stored in that area are not subject to the RSA. As there are empty spaces resulting from attrition, the Company agrees to fill them as soon as possible. The Company reflects these up-front payments as long-term liabilities on the accompanying consolidated financial statements. The Company does not intend to enter into additional RSAs.

In the future, the Company could reverse the liability relating to the RSA up-front payments over an appropriate period of time, based on the Company's expectations of the total amount of payments it expects to pay to the other party under the particular RSA. However, the RSAs do not establish a finite term or time frame over which to estimate the total payments and the Company had not previously estimated and has concluded that it is not currently practicable to estimate the projected cash flows under the RSAs. At present, the Company intends to defer the reversal of the liability, until such time as these amounts can be determined. During the periods when the Company defers the reversal of the liability, the quarterly payments made during these periods are treated as interest expense, which is recognized as the payments become due. In future periods, if a portion of the liability can be de-recognized based on the effective interest method, the payments will be allocated between interest and amortization of the liability. As cash is paid out to the other party during any period, the liability would be de-recognized based on the portion of the total anticipated payouts made during the period, using the effective interest method. That is, a portion of the payment would be recorded as interest expense, and the remainder would be treated as repayment of principal, which would reduce the liability.

**Florida.** On February 9, 1999, the previous Arizona RSAs were modified and replaced by an RSA for the state of Florida for a price of \$1,000,000. The RSA applies to net storage revenues originating from specimens from within the state of Florida less a deduction for billing and collection fees. The RSA entitles the investors to revenues of up to a maximum of 33,000 storage spaces.

**Illinois.** In 1996, the Company entered into an RSA with a group of investors entitling them to a non-going 50% share of the Company's 75% share of the annual storage fees ("net storage revenues") less a deduction for 50% of billing and collection expenses generated by specimens stored in the Illinois Masonic Medical Center for a price of \$1,000,000. The RSAs were modified in 1998 to broaden the covered specimens to those originating in Illinois and its contiguous states and stored in Oldsmar, Florida for a maximum of up to 33,000 storage spaces.

**Texas.** On May 31, 2001, the Company entered into an RSA with Red Rock Partners, an Arizona general partnership, entitling them to a non-going share in a portion of the Company's net storage revenue generated by specimens originating from within the State of Texas for a price of \$750,000. The investors are entitled to a 37.5% share of net storage revenues less a deduction for billing and collection fees for specimens originating in the State of Texas to a maximum of 33,000 storage spaces. During fiscal 2008, Red Rock assigned 50% of their interest in the agreement to SCC Investments, Inc., an Arizona corporation. Subsequent to November 30, 2009, SCC Investments, Inc. assigned its interest to SCF Holdings, LLC, an Arizona limited liability company.

The Company made total payments to all RSA holders of \$589,399 and \$666,138 for the fiscal years ended November 30, 2017 and 2016, respectively. The Company recorded an RSA accrual of \$616,990 and \$546,229 as of November 30, 2017 and 2016, respectively, related to interest owed to the RSA holders, which is included in accrued expenses in the Company's consolidated financial statements under Item 8 of this Annual Report on Form 10-K. The Company also recorded interest expense of \$730,778 and \$669,590 for the fiscal years ended November 30, 2017 and 2016, respectively, which is reflected in interest expense on the accompanying consolidated statements of comprehensive income (loss).

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## **Table of Contents**

### ***Extinguishment of RSAs***

On July 27, 2016, the Company entered into a Settlement Agreement and Release of All Claims (“Agreement”) with Charles D. Nyberg and Mary J. Nyberg, individually and as Trustees of the CDMJ Nyberg Family Trust (collectively, the “Nybergs”). Pursuant to the terms of the Agreement, on August 26, 2016, the Company made a one-time lump-sum payment in the amount of \$3.4 million (the “Settlement Payment”). In consideration of the Settlement Payment, all legal claims brought against the Company by the Nybergs pursuant to a lawsuit (see Note 13) were settled. Additionally, in consideration of the Settlement Payment, the Nybergs, who owned the rights to and interests in 50% of each of the Florida RSA and the Texas RSA (together, the “FL and TX RSAs”) terminated their rights to these interests in the FL and TX RSAs, resulting in a 50% reduction in the Company’s ongoing payment obligations under the FL and TX RSAs. Pursuant to the terms of the Agreement, the Nybergs no longer have the rights to share in a portion of the Company’s storage revenues derived from specimens which originated in the states of Florida and Texas, including all rights to any storage revenues generated and unpaid prior to the date of the Agreement including entitlements that were due for the quarter ended May 31, 2016. The payment amount of \$3.4 million was offset by the carrying amount of the long-term liability related to the RSAs in the amount of \$875,000 and accrued expenses in the amount of \$272,612 to reflect the extinguishment of revenue sharing agreements in the amount of \$2,252,388 for the twelve months ended November 30, 2016.

### **International**

The Company enters into two types of licensing agreements and in both types, the Company earns revenue on the initial license fees. Under the technology agreements, the Company earns processing and storage royalties from the affiliates that process in their own facility. Under the marketing agreements, the Company earns processing and storage revenues from affiliates that store specimens in the Company’s facility in Oldsmar, Florida.

### **Technology Agreements**

The Company has entered into a definitive License and Royalty Agreement with LifeCell International Private Limited, formerly Asia Cryo-Cell Private Limited, (“LifeCell”) to establish and market its umbilical cord blood and menstrual stem cell programs in India.

Per the License and Royalty Agreement with Lifecell, there is a \$1,000,000 cap on the amount of royalties due to the Company per year and a \$10,000,000 cap on the amount of royalties due to the Company for the term of the License and Royalty Agreement. The cap(s) are calculated based on Lifecell’s fiscal year end, March 31<sup>st</sup>. As of the end of the Company’s fiscal years ended November 30, 2017 and November 30, 2016, Lifecell had reached the \$1,000,000 cap and paid the Company in full for Lifecell’s fiscal year ended March 31, 2018 and March 31, 2017, respectively. Since inception of the License and Royalty Agreement, the Company has recorded \$6,100,000 in royalty income due under the terms of the License and Royalty Agreement, of which, Lifecell has paid the Company \$5,700,000 as of November 30, 2017. The balance of \$400,000 is reflected as Accounts Receivable on the accompanying consolidated balance sheets.

### **Marketing Agreements**

The Company has definitive license agreements to market the Company’s umbilical cord blood stem cell programs in Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, Panama and Pakistan.

## Table of Contents

The following table details the processing and storage royalties earned for the technology agreements for fiscal years 2017 and 2016. The initial license fees and processing and storage royalties are reflected in licensee income in the accompanying consolidated statements of comprehensive income (loss).

	For the fiscal years ended November 30,					
	2017			2016		
	License Fee	Process and Storage Royalties	Total	License Fee	Process and Storage Royalties	Total
India	\$ —	\$1,003,056	\$1,003,056	\$ —	\$1,006,319	\$1,006,319
Total	\$ —	\$1,003,056	\$1,003,056	\$ —	\$1,006,319	\$1,006,319

### **Employees**

At November 30, 2017, the Company had 72 full-time employees and 9 part-time employees on the staff of the Company. Additional employees and staff will be hired on an “as needed” basis. The Company believes its relationship with its employees is good. None of our employees are members of any labor union, and we are not a party to any collective bargaining agreement.

### **ITEM 1A. RISK FACTORS.**

Not applicable.

### **ITEM 1B. UNRESOLVED STAFF COMMENTS.**

None.

### **ITEM 2. PROPERTIES.**

The Company entered into a ten-year lease in April 2004 for its 17,600-square foot cGMP/cGTP compliant corporate headquarters in Oldsmar, Florida. The lease effectively commenced during October 2004, and the Company moved into this facility in November 2004. This facility contains the Company’s executive offices, its conference and training center, its laboratory processing and cryogenic storage facility and its scientific offices. In January 2016, the Company extended the main lease through December 31, 2018 for the 17,600 square foot space.

Rent charged to operations was \$310,970 and \$288,832 for the fiscal years ended November 30, 2017 and 2016, respectively, and is included in cost of sales and selling, general and administrative expenses in the consolidated statements of comprehensive income (loss).

The future minimum rental payments under the operating lease are as follows:

<u>Fiscal Year Ending November 30,</u>	<u>Rent</u>
2018	\$229,038
2019	\$ 19,087

The Company entered into a one-year lease in November 2013 for an additional 800 square feet of office space in Miami, Florida for annual rent of approximately \$27,120. The lease commenced during December 2013. In December 2016, the Company extended the lease through December 31, 2018.

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## Table of Contents

### ITEM 3. LEGAL PROCEEDINGS.

On December 3, 2015, a complaint styled *Gary T. Brotherson, M.D., et al. v. Cryo-Cell International, Inc.*, Case No. 15-007461-CI, Circuit Court, Sixth Judicial Circuit, Pinellas County, Florida, was served on the Company, naming it as defendant and alleging, among other things, that the Company breached certain agreements with plaintiffs and seeking damages in excess of \$15,000, the jurisdictional amount of the court in which the action is pending. On January 12, 2016, the Company served its answer, affirmative defenses, and counterclaim against the plaintiffs. The Company believes the plaintiffs' claims are without merit and it intends to contest the action vigorously. At this time, it is not possible for the Company to estimate the loss or the range of possible loss in the event of an unfavorable outcome, as the ultimate resolution of the complaint is uncertain at this time. No amounts have been accrued as of November 30, 2017.

On January 20, 2016, a class action complaint was filed in the Court of the Chancery of the State of Delaware against the Company and certain current officers and directors of the Company (Case No. 11915-VCG). The complaint alleged breaches of fiduciary duties and sought appropriate injunctive relief and a declaratory judgment against defendants that a certain provision of the Company's Amended and Restated Bylaws, as amended through September 22, 2014, violated Section 141(k) of the Delaware General Corporation Law relating to the removal of directors. The plaintiff amended the complaint on March 4, 2016 to remove the breach of fiduciary duty count and to move forward only on its claim that one provision of the Bylaws violated Section 141(k). On March 18, 2016, the Company announced that the Board of Directors had amended the Bylaw in question. Plaintiff filed a stipulation dismissing the action as moot on June 2. The Court retained jurisdiction to hear plaintiff's request for \$200,000 in attorneys' fee associated with mooted the litigation. The Court heard argument on plaintiff's request for attorneys' fees on September 29, 2016. On October 7, 2016, the Court issued its order awarding Plaintiff \$50,000 in attorneys' fees and expenses which is reflected in the accompanying consolidated statements of comprehensive income (loss) as of November 30, 2016. The Company's deductible under its Directors and Officers insurance policy for this claim was \$500,000.

On February 24, 2016, a complaint styled *Charles D. Nyberg and Mary J. Nyberg and as trustees of the CDMJNyberg Family Trust v. Cryo-Cell International, Inc.*, Case No. 8:16CV408t30, United States District Court, Middle District of Florida, Hillsborough County, Florida, was served on the Company, naming it as defendant and alleging, among other things, that the Company breached certain agreements with plaintiffs and seeking damages in excess of \$75,000, the jurisdictional amount of the court in which the action is pending. On July 27, 2016, the Company entered into a Settlement Agreement and Release of All Claims ("Agreement") with Charles D. Nyberg and Mary J. Nyberg, individually and as Trustees of the CDMJ Nyberg Family Trust (collectively, the "Nybergs"). Pursuant to the terms of the Agreement, the Company made a payment of \$3,400,000 (the "Settlement Payment") on August 26, 2016. In consideration of the Settlement Payment, all legal claims brought against the Company by the Nybergs pursuant to the lawsuit, were settled. Additionally, in consideration of the Settlement Payment, the Nybergs, who owned the rights to and interests in 50% of each of the Florida Revenue Sharing Agreement and the Texas Revenue Sharing Agreement (together, the "RSAs") terminated their rights to these interests in the RSAs, resulting in a 50% reduction in the Company's ongoing payment obligations under the RSAs (see Note 15).

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. The Company does not include an estimate of legal fees and other related defense costs in its estimate of loss contingencies.

## Table of Contents

### ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable

## PART II

### ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

The Company's common stock is quoted on the OTC Pink Marketplace under the symbol "CCEL". The following table shows, for the fiscal quarters indicated, the high and low closing bid quotations for the Company's common stock as reported by Yahoo Finance. The quotations represent inter-dealer prices without retail mark-up, markdown or commission and may not represent actual transactions.

<u>Quarter Ended</u>	<u>Low Closing Bid</u>	<u>High Closing Bid</u>
February 29, 2016	2.75	3.75
May 31, 2016	2.90	3.50
August 31, 2016	3.07	4.15
November 30, 2016	3.84	4.35
February 28, 2017	4.10	5.00
May 31, 2017	4.50	5.90
August 31, 2017	5.60	7.20
November 30, 2017	6.70	8.06

The Company has not declared any cash dividends on its common stock and has no plans to do so in the immediate future.

As of November 30, 2017, the Company had 180 shareholders of record, and management believes there are approximately 1,500 additional beneficial holders of the Company's common stock.

The following table sets forth as of November 30, 2017, the Company's equity compensation plans approved by shareholders. At such date the Company had no equity compensation plans that had not been approved by shareholders.

<u>Equity Compensation plans approved by stockholders</u>	<u>Number of securities to be issued upon exercise of outstanding options, warrants, rights and issued restricted shares</u>	<u>Weighted-average exercise price of outstanding options, warrants and rights</u>	<u>Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in the first column)</u>
Cryo-Cell International, Inc. 2006 Stock Incentive Plan	457,250	\$ 2.95	308,929
Cryo-Cell International, Inc. 2012 Stock Incentive Plan	753,980	\$ 2.64	859,081
<b>Total</b>	<b>1,211,230</b>	<b>\$ 2.75</b>	<b>1,168,010</b>

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## [Table of Contents](#)

### **ITEM 6. SELECTED FINANCIAL DATA**

Not Applicable.

### **ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

The following discussion and analysis of the financial condition and results of operations of the Company for the two years ended November 30, 2017, should be read in conjunction with the consolidated financial statements and related notes as well as other information contained in this Annual Report on Form 10-K. This section of the Form 10-K contains forward-looking statements that involve substantial risks and uncertainties, such as statements about our plans, objectives, expectations and intentions. We use words such as "expect", "anticipate", "plan", "believe", "seek", "estimate", "intend", "future" and similar expressions to identify forward-looking statements. Our actual results could differ materially from those anticipated in these forward-looking statements for many reasons. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this Form 10-K.

#### **Overview**

The Company is engaged in cellular processing and cryogenic storage, with a current focus on the collection and preservation of umbilical 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. Effective April 2016, the Company offers two pricing models, a standard plan and premium plan. The Company charges fees of \$1,600 for the standard plan and \$1,950 for the premium plan to new clients for the collection kit, processing, testing and return medical courier service, with discounts in the case of multiple children from the same family and in other circumstances. The Company charges an annual storage fee of \$150 for new clients that enroll in the standard and premium plans; storage fees for existing customers depend on the contracts with such customers. The Company continues to offer a one-time payment plan for 21 years of storage and a life-time payment plan, pursuant to which the client is charged \$4,599 for the standard plan and \$4,949 for the premium plan and \$6,000 for the standard plan and \$7,000 for the premium plan, respectively, less discounts in the case of multiple children from the same family and in other circumstances. The one-time plan includes the collection kit, processing and testing, return medical courier service and 21 years of pre-paid storage fees. The life-time plan includes the collection kit, processing and testing, return medical courier service and pre-paid storage fees for the life of the client. The Company also receives other income from licensing fees and royalties from global affiliates.

On June 11, 2015, the Company entered into an Asset Purchase Agreement (the "APA") with Cytomedical Design Group LLC ("CMDG"), for the purchase of certain assets and assumption of certain liabilities and contracts that CMDG used in the operation of its cord blood business. The PrepaCyte CB Processing System is used in cell processing laboratories to process and store stem cells from umbilical



## Table of Contents

cord blood. The purchase price was \$2,400,000, plus the value of inventory, comprised of \$1,553,272 in cash and assumed liabilities less any prepayment made by the Company to CMDG (\$966,597 at closing and \$586,675 on or before September 30, 2015) and a note payable to the seller in the amount of \$1,300,000. The closing was effective on June 30, 2015. On April 22, 2016 the Company paid \$778,287 which constituted payment in full of the Company's payment obligations to CMDG pursuant to the terms of the original APA and Promissory Note, as well as pursuant to the terms of the Loan/Promissory Note Sale Agreement and Mutual Release executed by the Company and CMDG on April 22, 2016. The difference between the remaining principal balance and the final payment made on April 22, 2016 was \$300,593 which was recorded as a gain on extinguishment of debt during the second quarter of fiscal 2016 and reflected on the accompanying consolidated statements of comprehensive income (loss).

During the third fiscal quarter of 2016, the Company determined that there were sufficient indicators to trigger an interim goodwill and intangible assets impairment analysis. Goodwill and intangible assets are included in the PrepaCyte CB reporting segment and the indicators included, among other factors: (1) decline in projected revenues, (2) decline in forecasted cash flows, and (3) loss of a key customer. The Company's analysis indicated that the PrepaCyte CB reporting unit had a goodwill and intangible assets impairment. Accordingly, the Company recorded a non-cash charge to reduce the carrying value of goodwill and intangible assets by \$1,877,697. The goodwill and intangible assets impairment analysis indicated that there was an impairment of goodwill related to PrepaCyte CB in the amount of \$1,666,430 and an impairment of intangible assets related to PrepaCyte CB in the amount of \$211,267 as of the year ended November 30, 2016. The annual impairment assessment was performed as of September 30, 2016. The Company concluded that there was an additional impairment of the PrepaCyte CB reporting segment as the carrying amount of the reporting unit exceeded the implied fair value. Applying ASC 350, *Intangibles-Goodwill and Other* guidance, the Company recorded an additional goodwill impairment charge of \$111,392 as of November 30, 2016. See Note 2, "Goodwill" and Note 4 "Intangible Assets" for further information regarding the process of assessing goodwill impairment.

During the fiscal year ended November 30, 2017, the Company's total revenue increased 10% as compared to fiscal 2016. The Company reported net income of approximately \$2,315,000, or \$0.33 per basic common share and \$0.30 per diluted share for fiscal 2017 compared to a net loss of approximately (\$1,321,000), or (\$0.16) per basic and diluted common share for fiscal 2016. Net income for the twelve months ended November 30, 2017 principally resulted from the 10% increase in total revenues and a 8% decrease in selling, general and administrative expenses. This was partially offset by a 16% increase in cost of sales. Net loss for the twelve months ended November 30, 2016 resulted from the cancellation of certain interests in the Florida Revenue Sharing Agreement and certain interests in the Texas Revenue Sharing Agreement resulting in loss on extinguishment of revenue sharing agreement in the amount of \$2,252,388, goodwill and intangible assets impairment of approximately \$1,989,000, as described above, a 18% increase in selling, general and administrative expenses and a 3% increase in cost of sales. This was offset by a 10% increase in total revenue, an income tax benefit of approximately \$1,159,000 and the \$300,593 gain on extinguishment of debt as a result of the early payoff of the loan with CMDG.

As of November 30, 2017, the Company had cash and cash equivalents of \$6,279,154. The Company's cash increased by approximately \$2,800,000 during fiscal 2017. Cash provided by operations was approximately \$5,700,000 and cash provided by the sale of marketable securities was approximately \$191,000 which were offset by approximately \$447,000 used for stock repurchases and approximately \$2,650,000 used to repay the note payable. On May 20, 2016, the Company entered into a Credit Agreement ("Agreement") with Texas Capital Bank, National Association ("TCB") for a term loan of \$8.0 million in senior credit facilities. The proceeds of the term loan were used by the Company to fund repurchases of the Company's common stock. Subject to the terms of the Agreement, on May 20, 2016, TCB advanced the Company \$100.00. On July 1, 2016, TCB advanced the remaining principal amount of \$7,999,900 per a promissory note dated May 20, 2016 between the Company and TCB. On May 20, 2016, the Company entered into a Subordination Agreement with Texas Capital Bank and CrowdOut Capital LLC ("CrowdOut") for a subordinated loan of the principal amount of \$650,000, which amount

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## Table of Contents

CrowdOut advanced to the Company on May 20, 2016. The proceeds of the subordinated loan were to be used by the Company to fund continued repurchases of the Company's common stock. During the third quarter of fiscal 2017, the Company paid CrowdOut the principal sum of \$650,000 plus interest of \$867. The subordinated loan is paid in full.

On August 26, 2016, the Company entered into a First Amendment to Credit Agreement with TCB. Pursuant to terms of the First Amendment to Credit Agreement, on August 26, 2016, TCB made an additional advance to the Company in principal amount of \$2,133,433 per an Amended and Restated Promissory Note dated August 26, 2016 between the Company and TCB. The proceeds of the term loan were used by the Company to fund a portion of the Settlement Agreement and Release of All Claims with Charles D. Nyberg and Mary J. Nyberg, individually and as Trustees of the CDMJ Nyberg Family Trust as described in Note 15.

**Consistent with its fiduciary duties, the board of directors and management has reviewed and will continue to review strategic options and opportunities for the Company, in order to maximize shareholder value. These options may include, but are not limited to, strategic mergers or acquisitions, investments in other public and/or private companies, repurchases of RSA interests, a deregistration of the Company's common stock under the Securities Exchange Act of 1934 or a going-private transaction. These options may or may not be related to the Company's current business. In order to undertake any of the aforementioned activities, the Company may take on substantial debt or equity capital which could increase the risk of investment in the Company.**

## **Results of Operations**

**Revenue.** For the fiscal year ended November 30, 2017, the Company had revenue of \$25,384,279 compared to \$23,128,047 for the fiscal year ended November 30, 2016. The 10% increase in revenue was primarily attributable to a 10% increase in processing and storage fees.

*Processing and Storage Fees.* For the fiscal year ended November 30, 2017, processing and storage fees were \$23,939,033 compared to \$21,771,600 for the fiscal year ended November 30, 2016. The increase in processing and storage fee revenue was primarily attributable to a 4% increase in recurring annual storage fee revenue. The Company had a 14% increase in the number of new domestic cord blood specimens processed year-over-year. Also, the Company's cord tissue service continues to increase year-over-year.

*Product Revenue.* On June 11, 2015, the Company entered into an Asset Purchase Agreement as described in Note 2 of the Company's financial statements. For the twelve months ended November 30, 2017, revenue from the product sales was \$442,190 compared to \$350,128 for the twelve months ended November 30, 2016.

*Licensee Income.* For the fiscal year ended November 30, 2017, licensee income was \$1,003,056 as compared to \$1,006,319 for fiscal 2016. Licensee income for the twelve months ended November 30, 2017 and November 30, 2016 consists of royalty income earned on the processing and storage of cord blood stem cell specimens in India where the Company has a definitive License and Royalty Agreement.

Per the License and Royalty Agreement with Lifecell, there is a \$1,000,000 cap on the amount of royalty due to the Company per year and a \$10,000,000 cap on the amount of royalties due to the Company for the term of the License and Royalty Agreement. Since inception of the License and Royalty Agreement, the Company has recorded \$6,100,000 in royalty income due under the terms of the License and Royalty Agreement, of which, Lifecell has paid the Company \$5,700,000 as of November 30, 2017. The balance of \$400,000 is reflected as Accounts Receivable on the accompanying consolidated balance sheets.

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## **Table of Contents**

**Cost of Sales.** For the fiscal year ended November 30, 2017, cost of sales was \$6,724,391, as compared to \$5,774,800 for the fiscal year ended November 30, 2016, representing a 16% increase. 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 \$98,383 for the year ended November 30, 2017 compared to \$131,978 for the 2016 period. Also, included in Cost of Sales is \$466,763 and \$328,673 related to the costs associated with production of the PrepaCyte CB processing and storage system for the twelve months ended November 30, 2017 and November 30, 2016, respectively. On July 12, 2017, the Company entered into a First Amendment to License Agreement (the "Amendment") to pay \$100,000 as royalties for the licenses granted and per the Amendment the license will be fully paid and no further royalty payments or license fees will be due or owed now or in the future. As of the twelve months ended November 30, 2017 and November 30, 2016, royalty expense associated with Prepacyte®-CB included in Cost of Sales is \$112,830 and \$22,755, respectively. The increase in cost of sales for the twelve months ended November 30, 2017 versus November 30, 2016 is due to the costs associated with Prepacyte®-CB and the increased costs associated with the 14% increase in the number of new domestic cord blood specimens processed in fiscal year 2017 versus fiscal year 2016.

**Selling, General and Administrative Expenses.** Selling, general and administrative expenses during the fiscal year ended November 30, 2017 were \$13,480,883 as compared to \$14,722,794 for the fiscal year ended November 30, 2016 representing an 8% decrease. These expenses are primarily comprised of selling and marketing expenses, salaries and wages for personnel and professional fees. The decrease in selling, general and administrative expenses is primarily due to a decrease of approximately \$555,000 in bad debt expense and a decrease of approximately \$280,000 in professional fees related to accounting services. The decrease is partially offset by a 6% increase in selling and marketing expenses.

**Impairment of Goodwill and Intangible Assets.** During the third quarter of fiscal year 2016, management determined that there were sufficient indicators to trigger an interim goodwill and intangible assets impairment analysis. The Company's analysis indicated that the PrepaCyte CB reporting unit had a goodwill and intangible assets impairment. Accordingly, the Company recorded a non-cash charge during the third quarter of fiscal year 2016 to reduce the carrying value of goodwill and intangible assets by \$1,877,697. The goodwill and intangible assets impairment analysis indicated that there was an impairment of goodwill related to PrepaCyte CB in the amount of \$1,666,430 and an impairment of intangible assets related to PrepaCyte CB in the amount of \$211,267 which is included in impairment of goodwill and intangible assets in the accompanying consolidated statements of comprehensive income (loss) as of the twelve months ended November 30, 2016. The annual impairment assessment was performed as of September 30, 2016. The Company concluded that there was an additional impairment of the PrepaCyte CB reporting segment as the carrying amount of the reporting unit exceeded the implied fair value. Applying ASC 350, *Intangibles-Goodwill and Other* guidance, the Company recorded an additional goodwill impairment charge of \$111,392 as of November 30, 2016. See Note 2, "Goodwill" and Note 4 "Intangible Assets" for further information regarding the process of assessing goodwill impairment.

**Research, Development and Related Engineering Expenses.** Research, development and related engineering expenses for the fiscal year ended November 30, 2017, were \$41,165 as compared to \$53,097 in 2016.

**Depreciation and Amortization.** Depreciation and amortization (not included in Cost of Sales) for the fiscal year ended November 30, 2017 was \$131,614 compared to \$154,673 for fiscal 2016.

**Interest Expense.** Interest expense during the fiscal year ended November 30, 2017 was \$1,302,650 compared to \$947,340 in fiscal 2016. Interest expense for the twelve months ended November 30, 2017 and November 30, 2016 was \$0 and of \$22,265, respectively, related to the repayment of the note payable

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## **Table of Contents**

as a result of the Asset Purchase Agreement (Note 2 and Note 5) and \$571,873 and \$255,484, respectively, related to the credit and subordination agreements with Texas Capital Bank, National Association and CrowdOut Capital LLC as described in Note 5. The remaining 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 collected.

**Gain on extinguishment of Debt.** The Company did not have any gain on extinguishment of debt for fiscal 2017. Gain on extinguishment of debt was \$300,593 for the fiscal year 2016 which was the difference between the remaining principal balance and the payment made on April 22, 2016 constituting payment in full of the Company's payment obligations to CMDG pursuant to the terms of the original APA and Promissory Note, as well as pursuant to the terms of the Loan/Promissory Note Sale Agreement and Mutual Release executed by the Company and CMDG (see Note 5) on April 22, 2016.

**Extinguishment of Revenue Sharing Agreement.** During fiscal year 2016, the Company entered into a Settlement and Release of Claims Agreement with certain investors canceling their interest in the Florida and Texas Revenue Sharing Agreements. Pursuant to the terms of the Settlement and Release of Claims Agreement, the Company made a one-time, lump-sum payment in the amount of \$3,400,000 to the investors and the investors sold, assigned, conveyed, transferred, and delivered to the Company all of its rights, interest and title in their interests in the RSAs. The payment amount of \$3,400,000 was offset by the carrying amount of the short-term liability related to the RSAs in the amount of \$875,000 and accrued expenses in the amount of \$272,612 to reflect the extinguishment of revenue sharing agreements in the amount of \$2,252,388 for the twelve months ended November 30, 2016.

**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 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 certain geographic areas where the Company has license agreements. The Company recorded approximately \$108,000 and \$109,000 for the years ended November 30, 2017 and 2016, respectively, of foreign income tax expense, which is included in income tax expense in the accompanying consolidated statements of comprehensive income (loss).

U.S. income tax expense for the twelve months ended November 30, 2017 was \$1,308,603, net of foreign income taxes. The Company recorded an income tax benefit of \$1,159,412, net of foreign income taxes, for the twelve months ended November 30, 2016. During fiscal year 2016, the Company reversed portions of its valuation allowance for U.S. income taxes totaling \$329,263. The reversal of a portion of the deferred tax valuation allowance is based upon the Company's historical operating performance which includes profitability in eleven of the last twelve quarters, steadily improving operations and positive expectations for future taxable income.

There was approximately \$1,263,000 and \$644,000 of U.S. income taxes paid for fiscal years ended November 30, 2017 and November 30, 2016, respectively.

## **Liquidity and Capital Resources**

On May 20, 2016, the Company entered into a Credit Agreement ("Agreement") with Texas Capital Bank, National Association ("TCB") for a term loan of \$8.0 million in senior credit facilities. The proceeds of the term loan were used by the Company to fund repurchases of the Company's common

## Table of Contents

stock. Subject to the terms of the Agreement, on May 20, 2016, TCB advanced the Company \$100,000. On July 1, 2016, TCB advanced the remaining principal amount of \$7,999,900 per a promissory note dated May 20, 2016 between the Company and TCB. On May 20, 2016, the Company entered into a Subordination Agreement with Texas Capital Bank and CrowdOut Capital LLC (“CrowdOut”) for a subordinated loan of the principal amount of \$650,000, which amount CrowdOut advanced to the Company on May 20, 2016. The proceeds of the subordinated loan were to be used by the Company to fund continued repurchases of the Company’s common stock. Per a promissory note dated May 20, 2016 between the Company and CrowdOut, interest at 12% per annum on the principal sum of \$650,000 was payable monthly with a maturity date of July 2021, at which time, the principal amount of \$650,000 was due. In June 2017, the Company repaid the subordinated principal plus interest of \$650,867.

On August 26, 2016, the Company entered into a First Amendment to Credit Agreement with TCB. Pursuant to terms of the First Amendment to Credit Agreement, on August 26, 2016, TCB made an additional advance to the Company in principal amount of \$2,133,433 per an Amended and Restated Promissory Note dated August 26, 2016 between the Company and TCB. The additional proceeds of the term loan were used by the Company to fund a portion of the Settlement Agreement and Release of All Claims with Charles D. Nyberg and Mary J. Nyberg, individually and as Trustees of the CDMJ Nyberg Family Trust as described in Note 13.

Prior to the loans, the Company’s principal source of cash has been from sales of its umbilical cord blood program to customers and royalties from licensees.

At November 30, 2017, the Company had cash and cash equivalents of \$6,279,154 as compared to \$3,499,881 at November 30, 2016. The increase in cash and cash equivalents during the twelve months ended November 30, 2017 was primarily attributable to the following:

Net cash provided by operating activities in fiscal 2017 was \$5,718,173 which was attributable to the Company’s operating activities and an increase in the Company’s new clients choosing the prepaid storage plans versus the annual storage fee plan.

Net cash provided by operating activities in fiscal 2016 was \$4,987,975, which was attributable to the Company’s operating activities and an increase in the Company’s new clients choosing the prepaid storage plans versus the annual storage fee plan.

Net provided by investing activities in fiscal 2017 was \$93,025 which was attributable to the sales and purchases of marketable securities and other investments in the amount of \$191,358 which was offset by purchases of property and equipment in the amount of \$98,333.

Net cash used in investing activities in fiscal 2016 was \$369,728 which was primarily attributable to the purchases of property and equipment in the amount of \$342,982 and sales and purchases of marketable securities and other investments in the amount of \$231,090 which were partially offset by the redemption of a Certificate of Deposit in the amount of \$204,344.

Net cash used in financing activities in fiscal 2017 was \$3,031,925, which was primarily attributable to the stock repurchase plan pursuant to which the Company has repurchased 86,915 shares of the Company’s common stock for \$446,621 and the repayments of the note payables for \$2,650,000.

Net cash used in financing activities in fiscal 2016 was \$5,270,528, which was primarily attributable to the stock repurchase plan pursuant to which the Company has repurchased 2,463,850 shares of the Company’s common stock for \$10,806,409, the repayments of the note payables for \$1,509,107 and the payment of \$3,400,000 for the cancellation of certain interests in certain Revenue Sharing Agreements, which was partially offset by the term and subordinated loan in the amount of \$10,783,433.

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## **Table of Contents**

The Company does not have a line of credit.

The Company anticipates making discretionary capital expenditures of approximately \$500,000 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 and cord tissue cellular storage services, 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 and Estimates**

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. For further discussion of the Company's significant and critical accounting policies, refer to Note 1 – "Description of Business and Summary of Critical and Significant Accounting Policies" to the Consolidated Financial Statements contained in Item 8 of this document.

### **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, 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 umbilical cord blood product. The first deliverable is the processing of a specimen. The second deliverable is either the annual storage of a specimen, the 21-year storage fee charged for a specimen or the life-time 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

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## **Table of Contents**

annual storage fees as the Company renews storage fees annually with its customers on a stand-alone basis. Because the Company has neither VSOE nor TPE for the processing, 21-year storage and life-time 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 the processing of the specimen is complete. 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, 21-year storage and life-time 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 are annual, twenty-one years and lifetime. Deferred revenue on the accompanying consolidated balance sheets includes the portion of the annual storage fee, the twenty-one-year storage fee and the life-time 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 records revenue from the sale of the PrepaCyte CB product line upon shipment of the product to the Company's customers.

## **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 \$2,316,000 and \$2,301,000 as of November 30, 2017 and November 30, 2016, 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 income 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 income 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. The Company examines the evidence related to the recent history of losses, the economic conditions in which the Company operates and forecasts and projections to make that determination.

The Company paid U.S. income taxes of approximately \$1,263,000 and \$644,000 during the twelve months ended November 30, 2017 and November 30, 2016, respectively.

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## **Table of Contents**

The Company records foreign income taxes withheld by third parties 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 \$108,000 and \$109,000 for the years ended November 30, 2017 and 2016, respectively, of foreign income tax expense. Foreign income tax expense is included in income tax expense in the accompanying consolidated statements of comprehensive income (loss).

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 years ended November 30, 2017 and November 30, 2016, the Company had no material provisions for interest or penalties related to uncertain tax positions.

### **Long-Lived Assets**

The Company evaluates the realizability of its long-lived assets, which requires impairment losses to be recorded on long-lived assets used in operations when indicators of impairment, such as reductions in demand or when significant economic slowdowns are present. Reviews are performed to determine whether the carrying value of an asset is impaired, based on comparisons to undiscounted expected future cash flows. If this comparison indicates that there is impairment and carrying value is in excess of fair value, the impaired asset is written down to fair value, which is typically calculated using: (i) quoted market prices or (ii) discounted expected future cash flows utilizing a discount rate. The Company did not note any impairment for the twelve months ended November 30, 2017 and 2016.

### **Goodwill**

Goodwill represents the excess of the purchase price of the assets acquired from CMDG (Note 2) over the estimated fair value of the net tangible and identifiable intangible assets acquired. Goodwill is not amortized but is tested for impairment at least annually at the PrepaCyte CB reporting segment level or more frequently if events or changes in circumstances indicate that the asset might be impaired. Impairment loss, if any, is recognized based on a comparison of the fair value of the asset to its carrying value, without consideration of any recoverability. The annual impairment assessment is performed during the fourth quarter and at other times if an event occurs or indicators of impairment exist by first assessing qualitative factors to determine whether it is more likely than not that the fair value of the reporting segment is less than its carrying amount. If we conclude it is more likely than not that the fair value of goodwill is less than its carrying amount, a quantitative impairment test is performed. During the third quarter of fiscal 2016, the Company determined that there were sufficient indicators to trigger an impairment analysis. During the fourth quarter of fiscal 2016, the Company performed its annual impairment analysis. The Company concluded that an impairment of the PrepaCyte CB reporting segment existed during the third and fourth quarters of fiscal 2016 and a goodwill impairment charge of \$1,777,822 was recorded as of November 30, 2016.



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## [Table of Contents](#)

### **Stock Compensation**

As of November 30, 2017, the Company has two stock-based employee compensation plans, which are described in Note 11 to the consolidated financial statements. The Company's stock-based employee compensation plan that became effective December 1, 2011 was approved by the Board of Directors and approved by the stockholders at the 2012 Annual Meeting. The Company recognized approximately \$972,000 and \$1,772,000 for the years ended November 30, 2017 and November 30, 2016, respectively, of stock compensation expense.

The Company recognizes stock-based compensation based on the fair value of the related awards. Under the fair value recognition guidance of stock-based compensation accounting rules, stock-based compensation expense is estimated at the grant date based on the fair value of the award and is recognized as expense over the requisite service period of the award. The fair value of service-based vesting condition and performance-based vesting condition stock option awards is determined using the Black-Scholes valuation model. For stock option awards with only service-based vesting conditions and graded vesting features, the Company recognizes stock compensation expense based on the graded-vesting method. To value awards with market-based vesting conditions the Company uses a binomial valuation model. The Company recognizes compensation cost for awards with market-based vesting conditions on a graded-vesting basis over the derived service period calculated by the binomial valuation model. The use of these valuation models 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.

The Company issues performance-based equity awards which vest upon the achievement of certain financial performance goals, including revenue and income targets. Determining the appropriate amount to expense based on the anticipated achievement of the stated goals requires judgment, including forecasting future financial results. The estimate of the timing of the expense recognition is revised periodically based on the probability of achieving the required performance targets and adjustments are made as appropriate. The cumulative impact of any revision is reflected in the period of the change. If the financial performance goals are not met, the award does not vest, so no compensation cost is recognized and any previously stock-recognized stock-based compensation expense is reversed.

The Company issues equity awards with market-based vesting conditions which vest upon the achievement of certain stock price targets. If the awards are forfeited prior to the completion of the derived service period, any recognized compensation is reversed. If the awards are forfeited after the completion of the derived service period, the compensation cost is not reversed, even if the awards never vest.

### **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 twelve active licensing agreements. The following areas each have one license agreement: El Salvador, Guatemala, Panama, Honduras, China, and Pakistan. The following areas each have two license agreements: India, Nicaragua and Costa Rica. In October 2012, the Company sent a notice of termination to the Company's

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## **Table of Contents**

Venezuelan affiliate for failure to meet its payment obligation in accordance with the contract. Subsequent to the notice of termination, payment was received for outstanding processing and storage fees due from Venezuela. The Company is in the process of discussing a new agreement with Venezuela. In December 2012, the Company sent notice of termination to the Company's affiliate in Ecuador for failure to meet its payment obligation in accordance with the contract. Subsequent to the notice of termination, payment was received for outstanding processing and storage fees due from Ecuador. In August 2013, the Company was notified that its affiliate in Ecuador was closed by the National Institute of Organic Donation (INDOT). As a result, the Company recorded an allowance for uncollectible receivables for the \$150,000 processing and storage fee receivable due from Ecuador in the third quarter of fiscal 2013. During the fourth quarter of fiscal 2013, the Company began to bill the Ecuadorian clients directly for cord blood specimens that are stored at the Company's facility in Oldsmar, Florida. In the future, if the Company loses revenue due to lack of payment from the foreign affiliates or the foreign affiliates are closed, the Company's overall revenue will decrease.

In addition to the license fee, the Company earns a royalty on processing and storage fees on subsequent processing and storage revenues received by the licensee in the licensed territory and a fee on any sub-license agreements that are sold by the licensee where applicable. The Company processes and stores specimens sent directly from customers of licensees in Mexico, El Salvador, Guatemala, Ecuador, Panama, Honduras, Nicaragua, Costa Rica, Pakistan and Venezuela. The Company also processes and stores specimens from sub-licenses of Venezuela, who are Chile, Colombia and Peru. These fees are included in processing and storage fees revenue on the consolidated statements of comprehensive income (loss). As part of the accounting for royalty revenue from India, 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 uncollateralized amounts due from clients that have enrolled and processed in the umbilical cord blood stem cell processing and storage programs and amounts due from license affiliates, and sublicensee territories. Accounts receivable are due within 30 days and are stated at amounts 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 client's 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.

### **Patents and Trademarks**

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.

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## Table of Contents

### **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 collected 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.

### **Recently Issued Accounting Pronouncements**

See Note 1 to the Consolidated Financial Statements.

### **Off-Balance Sheet Arrangements**

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

### **ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.**

Not applicable, as the Company is a smaller reporting company.

### **ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.**

The consolidated financial statements and supplementary data listed in the accompanying Index to Consolidated Financial Statements are attached as part of this report.

The following consolidated financial statements of Cryo-Cell International, Inc. are included in Item 8:

Report of Independent Registered Public Accounting Firm

Consolidated Balance Sheets as of November 30, 2017 and 2016

Consolidated Statements of Comprehensive income (loss)  
For the Fiscal Years Ended November 30, 2017 and 2016

Consolidated Statements of Cash Flows  
For the Fiscal Years Ended November 30, 2017 and 2016

Consolidated Statements of Stockholders’ Deficit  
For the Fiscal Years Ended November 30, 2017 and 2016

Notes to Consolidated Financial Statements

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[Table of Contents](#)

All other schedules for which provision is made in the applicable accounting regulations of the Securities and Exchange Commission are not required under the related instructions, are already included in the Notes to Consolidated Financial Statements included under this Item 8 or are inapplicable, and therefore have been omitted.



**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Directors and Stockholders  
Cryo-Cell International, Inc.

We have audited the accompanying consolidated balance sheets of Cryo-Cell International, Inc. and subsidiaries (the “Company”) as of November 30, 2017 and 2016, and the related consolidated statements of comprehensive income (loss), stockholders’ deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, audits of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Cryo-Cell International, Inc. and subsidiaries as of November 30, 2017 and 2016, and the results of their operations and their cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

/s/ PORTER KEADLE MOORE, LLC

Atlanta, Georgia  
February 28, 2018

[Table of Contents](#)

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

	November 30, 2017	November 30, 2016
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 6,279,154	\$ 3,499,881
Marketable securities	439,322	624,223
Accounts receivable (net of allowance for doubtful accounts of \$2,098,991 and \$2,278,862, respectively)	5,125,591	4,052,728
Prepaid expenses	372,152	395,501
Inventory, net	314,566	361,142
Other current assets	206,136	78,448
Total current assets	<u>12,736,921</u>	<u>9,011,923</u>
<b>Property and Equipment-net</b>		
	<u>882,382</u>	<u>979,463</u>
<b>Other Assets</b>		
Intangible assets, net	226,418	261,000
Deferred tax assets	10,035,388	9,260,582
Deposits and other assets, net	28,888	25,500
Total other assets	<u>10,290,694</u>	<u>9,547,082</u>
Total assets	<u>\$ 23,909,997</u>	<u>\$ 19,538,468</u>
<b>LIABILITIES AND STOCKHOLDERS' DEFICIT</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 1,928,542	\$ 1,485,430
Accrued expenses	2,582,475	2,554,330
Current portion of note payable	2,000,000	2,000,000
Deferred revenue	7,428,829	7,071,924
Total current liabilities	<u>13,939,846</u>	<u>13,111,684</u>
<b>Other Liabilities</b>		
Deferred revenue, net of current portion	15,752,864	12,596,292
Note payable, net of current portion and debt issuance costs	5,295,183	7,819,750
Long-term liability—revenue sharing agreements	1,425,000	1,425,000
Total other liabilities	<u>22,473,047</u>	<u>21,841,042</u>
Total liabilities	<u>36,412,893</u>	<u>34,952,726</u>
Commitments and contingencies (Note 13)	—	—
<b>Stockholders' Deficit</b>		
Preferred stock (\$.01 par value, 500,000 authorized and none issued and outstanding)	—	—
Series A Junior participating preferred stock (\$.01 par value, 20,000 authorized and none issued and outstanding)	—	—
Common stock (\$.01 par value, 20,000,000 authorized; 12,899,517 issued and 7,103,941 outstanding as of November 30, 2017 and 12,504,464 issued and 6,789,596 outstanding as of November 30, 2016)	128,995	125,044
Additional paid-in capital	31,373,048	30,340,573
Treasury stock, at cost	(19,571,113)	(19,124,492)
Accumulated other comprehensive income	40,865	34,408
Accumulated deficit	<u>(24,474,691)</u>	<u>(26,789,791)</u>
Total stockholders' deficit	<u>(12,502,896)</u>	<u>(15,414,258)</u>
Total liabilities and stockholders' deficit	<u>\$ 23,909,997</u>	<u>\$ 19,538,468</u>

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

[Table of Contents](#)

**CRYO-CELL INTERNATIONAL, INC. AND SUBSIDIARIES**  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

	November 30, 2017	November 30, 2016
<b>Revenue:</b>		
Processing and storage fees	\$23,939,033	\$ 21,771,600
Licensee and royalty income	1,003,056	1,006,319
Product revenue	442,190	350,128
Total revenue	<u>25,384,279</u>	<u>23,128,047</u>
<b>Costs and Expenses:</b>		
Cost of sales	6,724,391	5,774,800
Selling, general and administrative expenses	13,480,883	14,722,794
Impairment of goodwill and intangible assets	—	1,989,089
Research, development and related engineering	41,165	53,097
Depreciation and amortization	131,614	154,673
Total costs and expenses	<u>20,378,053</u>	<u>22,694,453</u>
<b>Operating Income</b>	<u>5,006,226</u>	<u>433,594</u>
<b>Other (Expense) Income :</b>		
Other expense	(79,873)	(14,671)
Interest expense	(1,302,650)	(947,340)
Gain on extinguishment of debt	—	300,593
Loss on extinguishment of revenue sharing agreement	—	(2,252,388)
Total other expense	<u>(1,382,523)</u>	<u>(2,913,806)</u>
Income (Loss) before income tax (expense) benefit	3,623,703	(2,480,212)
Income tax (expense) benefit	<u>(1,308,603)</u>	<u>1,159,412</u>
<b>Net Income (Loss)</b>	<u>\$ 2,315,100</u>	<u>\$ (1,320,800)</u>
Net income (loss) per common share - basic	<u>\$ 0.33</u>	<u>\$ (0.16)</u>
Weighted average common shares outstanding - basic	<u>7,062,870</u>	<u>8,112,791</u>
Net income (loss) per common share - diluted	<u>\$ 0.30</u>	<u>\$ (0.16)</u>
Weighted average common shares outstanding - diluted	<u>7,652,984</u>	<u>8,112,791</u>
<b>Other Comprehensive Income (Loss)</b>		
Unrealized gain (loss) on marketable securities (net of tax)	<u>\$ 6,457</u>	<u>\$ (135,524)</u>
<b>Comprehensive Income (Loss)</b>	<u>\$ 2,321,557</u>	<u>\$ (1,456,324)</u>

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

[Table of Contents](#)

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

	November 30, 2017	November 30, 2016
<b>Cash flows from operating activities:</b>		
Net income (loss)	\$ 2,315,100	\$ (1,320,800)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization expense	229,995	286,650
Impairment of goodwill and intangible assets	—	1,989,089
Compensatory element of stock options	971,730	1,772,306
Provision for doubtful accounts	77,012	630,113
Gain on extinguishment of debt	—	(300,593)
Loss on extinguishment of revenue sharing agreements	—	2,252,388
Deferred income tax benefit	(774,806)	(1,911,828)
Amortization of debt issuance costs	125,434	48,435
Changes in assets and liabilities:		
Accounts receivable	(1,149,875)	(1,624,462)
Prepaid expenses	23,349	32,318
Inventory	46,576	114,466
Other current assets	(127,688)	9,944
Deposits and other assets, net	(3,388)	15,111
Accounts payable	443,112	329,560
Accrued expenses	28,145	648,842
Deferred revenue	3,513,477	2,016,436
<b>Net cash provided by operating activities</b>	<b>5,718,173</b>	<b>4,987,975</b>
<b>Cash flows from investing activities:</b>		
Release of restricted cash held in escrow	—	204,344
Purchases of property and equipment	(98,333)	(342,982)
Sales (purchases) of marketable securities and other investments, net	191,358	(231,090)
<b>Net cash provided by (used in) investing activities</b>	<b>93,025</b>	<b>(369,728)</b>
<b>Cash flows from financing activities:</b>		
Extinguishment of revenue sharing agreements	—	(3,400,000)
Treasury stock purchases	(446,621)	(10,806,409)
Repayments of note payable	(2,650,000)	(1,509,107)
Proceeds from the exercise of stock options	64,696	40,340
Proceeds from note payable	—	10,783,433
Issuance costs associated with the proceeds from the note payable	—	(378,785)
<b>Net cash used in financing activities</b>	<b>(3,031,925)</b>	<b>(5,270,528)</b>
<b>Increase (Decrease) in cash and cash equivalents</b>	<b>2,779,273</b>	<b>(652,281)</b>
Cash and cash equivalents - beginning of period	3,499,881	4,152,162
Cash and cash equivalents - end of period	<u>\$ 6,279,154</u>	<u>\$ 3,499,881</u>
<b>Supplemental non-cash investing activities:</b>		
Unrealized gain (loss) on marketable securities, net of tax	<u>\$ 6,457</u>	<u>\$ (135,524)</u>

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



[Table of Contents](#)

**CRYO-CELL INTERNATIONAL, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT**

	Common Stock		Additional Paid-In Capital	Treasury Stock	Accumulated Other Comprehensive Income/(Loss)	Accumulated Deficit	Total Stockholders' Deficit
	Shares	Amount					
Balance at November 30, 2015	12,260,340	\$122,603	\$28,530,368	\$ (8,318,083)	\$ 169,932	\$(25,468,991)	\$ (4,964,171)
Common stock issued	244,124	\$ 2,441	\$ 37,899				\$ 40,340
Compensatory element of stock options			1,772,306				1,772,306
Unrealized loss on available for sale securities					(135,524)		(135,524)
Treasury Stock				(10,806,409)			(10,806,409)
Net loss						(1,320,800)	(1,320,800)
Balance at November 30, 2016	12,504,464	\$125,044	\$30,340,573	\$(19,124,492)	\$ 34,408	\$(26,789,791)	\$(15,414,258)
Common stock issued	395,053	3,951	60,745				64,696
Compensatory element of stock options			971,730				971,730
Unrealized gain on available for sale securities					6,457		6,457
Treasury Stock				(446,621)			(446,621)
Net income						2,315,100	2,315,100
Balance at November 30, 2017	12,899,517	\$128,995	\$31,373,048	\$(19,571,113)	\$ 40,865	\$(24,474,691)	\$(12,502,896)

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

**CRYO-CELL INTERNATIONAL, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**NOVEMBER 30, 2017 and 2016**

**NOTE 1 – DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Description of Business.**

Cryo-Cell International, Inc. (“the Company” or “Cryo-Cell”) was incorporated in Delaware on September 11, 1989 and is located in Oldsmar, Florida. The Company is organized in two reportable segments, cellular processing and cryogenic cellular storage, with a current focus on the collection and preservation of umbilical cord blood stem cells for family use and the manufacture of PrepaCyte CB units, the processing technology used to process umbilical cord blood stem cells. Revenues recognized for the cellular processing and cryogenic cellular storage represent sales of the umbilical cord blood stem cells program to customers, and income from licensees selling the umbilical cord blood stem cells program to customers outside the United States. Revenues recognized for the manufacture of PrepaCyte CB units represent sales of the PrepaCyte CB units to customers. The Company’s headquarters facility in Oldsmar, Florida handles all aspects of its U.S.-based business operations including the processing and storage of specimens, including specimens obtained from certain of its licensees’ customers. The specimens are stored in commercially available cryogenic storage equipment.

On October 10, 2001, Saneron Therapeutics, Inc. merged into one of the Company’s wholly owned subsidiaries, CCELBio-Therapies, Inc. (“CCBT”), which then changed its name to Saneron CCEL Therapeutics, Inc. (“SCTI” or “Saneron”). As part of the merger, the Company contributed 260,000 shares of its common stock, whose fair value was \$1,924,000 and 195,000 common shares of another of its subsidiaries, Stem Cell Preservation Technologies, Inc., whose fair value was \$3,900. At the conclusion of the merger, the Company retained a 43.42% non-controlling interest in the voting stock of SCTI. As of November 30, 2017 and 2016, the Company had an interest of approximately 33% and 33%, respectively, in the voting stock of SCTI. The accompanying consolidated financial statements as of November 30, 2017 and 2016 reflect the investment in SCTI under the equity method of accounting.

**Basis of Presentation**

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements as of November 30, 2017 and November 30, 2016 and for the years then ended includes the accounts of the Company and all of its subsidiaries, which are inactive. All intercompany balances have been eliminated upon consolidation.

**Concentration of Risks**

Financial instruments that potentially subject the Company to concentrations of credit risk are principally cash and cash equivalent accounts in financial institutions, which often exceed the Federal Deposit Insurance Corporation (FDIC) limit. The Company places its cash with high quality financial institutions and believes it is not exposed to any significant credit risk. The Company may from time to time invest some of its cash funds in certificates of deposit and bond investments maintained by brokers who are insured under the Securities Investor Protection Corporation (SIPC). The Company believes these are conservative investments with a low risk for any loss of principal. The Company regularly assesses its marketable security investments for impairment and adjusts its investment strategy as it deems appropriate.

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## **Table of Contents**

The Company depends on one supplier for the source of its collection kits, a critical component of the umbilical cord blood stem cell collection process. However, the Company believes that alternative sources of supply are available.

The Company depends on three suppliers for the supply and manufacturing of the PrepaCyte CB units. However, the Company believes that alternative sources of supply and manufacturing are available.

During fiscal 2017 and 2016, there were no concentration of risks.

### **Use of Estimates**

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

### **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, 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 umbilical cord blood product. The first deliverable is the processing of a specimen. The second deliverable is either the annual storage of a specimen, the 21-year storage fee charged for a specimen or the life-time 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 stand-alone basis. Because the Company has neither VSOE nor TPE for the processing, 21-year storage and life-time 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 the processing of the specimen is complete. 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, 21-year storage and life-time 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

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## **Table of Contents**

income from royalties paid by licensees related to long-term storage contracts which the Company has under license agreements. Contracted storage periods are annual, twenty-one years and lifetime. Deferred revenue on the accompanying consolidated balance sheets includes the portion of the annual storage fee, the twenty-one-year storage fee and the life-time 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 records revenue from the sale of the PrepaCyte CB product line upon shipment of the product to the Company's customers.

### **Revenue Sharing Agreements**

The Company entered into Revenue Sharing Agreements ("RSAs") prior to 2002 with various third and related parties. The Company's RSAs provide that in exchange for a non-refundable up-front payment, the Company would share for the duration of the contract a percentage of its future storage revenue collected from the annual storage fees charged related to a certain number of specimens that originated from specific geographical areas. The RSAs have no definitive term or termination provisions. The sharing applies to the storage fees collected 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 Company has reflected these up-front payments as long-term liabilities on the accompanying consolidated balance sheets. The Company does not intend to enter into additional RSAs.

In the future, the Company could reverse the liability relating to the RSAs over an appropriate period of time, based on the Company's expectations of the total amount of payments it expects to pay to the other party under the particular RSA. However, the RSAs do not establish a finite term or time frame over which to estimate the total payments and the Company had not previously estimated and has concluded that it is not currently practicable to estimate the projected cash flows under the RSAs. At present, the Company intends to defer the reversal of the liability, until such time as these amounts can be determined. During the periods when the Company defers the reversal of the liability, the quarterly payments made during these periods will be treated as interest expense, which will be recognized as the payments become due. In future periods, if a portion of the liability can be de-recognized based on the effective interest method, the payments will be allocated between interest and amortization of the liability. As cash is paid out to the other party during any period, the liability would be de-recognized based on the portion of the total anticipated payouts made during the period, using the effective interest method. That is, a portion of the payment would be recorded as interest expense, and the remainder would be treated as repayment of principal, which would reduce the liability.

### **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 fee paid, or payable, to the Company, 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 by the Company based on the terms of the agreement. The Company has twelve active licensing agreements. The following areas each have one license agreement: El Salvador, Guatemala, Panama, Honduras, China and Pakistan. The following areas each have two license agreements: India, Nicaragua and Costa Rica.

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## **Table of Contents**

In addition to the license fee, the Company earns processing and storage fees on subsequent processing and storage revenues received by the licensee in the licensed territory and a fee on any sub-license agreements that are sold by the licensee where applicable. These fees are included in processing and storage fees revenue on the consolidated statements of comprehensive income (loss). As part of the accounting for royalty revenue from India, 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.

### **Cash and Cash Equivalents**

Cash and cash equivalents consist of highly liquid investments with a maturity date of three months or less at the time of purchase.

### **Accounts Receivable**

Accounts receivable consist of uncollateralized amounts due from clients that have enrolled and processed in the umbilical cord blood stem cell processing and storage programs and amounts due from license affiliates, and sub licensee territories. Accounts receivable are due within 30 days and are stated at amounts 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 client's 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.

### **Inventory**

Inventory is comprised of collection kits, finished goods, work-in-process and raw materials. Collection kits are used in the collection and processing of umbilical cord blood and cord tissue stem cells and work-in-process and finished goods include products purchased for resale and for use in the Company's processing and storage service. Inventory is valued at the lower of cost or market using the first-in, first-out (FIFO) method.

### **Property and Equipment**

Property and equipment are stated at cost. Depreciation is provided primarily by the straight-line method over the estimated useful lives of the related assets. Estimated useful lives of property and equipment are as follows:

Furniture and equipment	3-10 years
Leasehold improvements	Lesser of 8-10 years or the lives of the leases
Computer software – internal use	1-5 years

Leasehold improvements are amortized over the shorter of the respective life of the lease or the estimated useful lives of the improvements. Upon the sale or retirement of depreciable assets, the cost and related accumulated depreciation is removed from the accounts and the resulting profit or loss is reflected in earnings. Expenditures for maintenance, repairs and minor betterments are expensed as incurred.

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## **Table of Contents**

The Company capitalizes external direct costs of materials and services consumed in developing or obtaining internal-use computer software. Capitalized internal-use software costs, which are included in property and equipment, are depreciated over the estimated useful lives of the software.

### **Long-Lived Assets**

The Company evaluates the realizability of its long-lived assets, which requires impairment losses to be recorded on long-lived assets used in operations when indicators of impairment, such as reductions in demand or when significant economic slowdowns are present. Reviews are performed to determine whether the carrying value of an asset is impaired, based on comparisons to undiscounted expected future cash flows. If this comparison indicates that there is impairment and carrying value is in excess of fair value, the impaired asset is written down to fair value, which is typically calculated using: (i) quoted market prices or (ii) discounted expected future cash flows utilizing a discount rate. The Company did not note any impairment as of November 30, 2017 and November 30, 2016, respectively.

### **Goodwill**

Goodwill represents the excess of the purchase price of the assets acquired from CMDG (Note 2) over the estimated fair value of the net tangible and identifiable intangible assets acquired. Goodwill is not amortized but is tested for impairment at least annually at the PrepaCyte CB reporting segment level or more frequently if events or changes in circumstances indicate that the asset might be impaired. Impairment loss, if any, is recognized based on a comparison of the fair value of the asset to its carrying value, without consideration of any recoverability. The annual impairment assessment is performed during the fourth quarter and at other times if an event occurs or indicators of impairment exist by first assessing qualitative factors to determine whether it is more likely than not that the fair value of the reporting segment is less than its carrying amount. If we conclude it is more likely than not that the fair value of goodwill is less than its carrying amount, a quantitative impairment test is performed. During the third quarter of fiscal 2016, the Company determined that there were sufficient indicators to trigger an impairment analysis. During the fourth quarter of fiscal 2016, the Company performed its annual impairment analysis. The Company concluded that an impairment of the PrepaCyte CB reporting segment existed during the third and fourth quarters of fiscal 2016 and a goodwill impairment charge of \$1,777,822 was recorded as of November 30, 2016.

### **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 records a valuation allowance when it is "more likely than not" that all of the future income tax benefits will not be realized. When the Company changes its determination as to the amount of deferred income 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 income 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. The Company examines the evidence related to the recent history of losses, the economic conditions in which the Company operates and forecasts and projections to make that determination.

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

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## **Table of Contents**

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 fiscal 2017 and 2016 the Company had no uncertain tax provisions and therefore no material provisions for interest or penalties related to uncertain tax positions.

### **Research, Development and Related Engineering Costs**

Research, development and related engineering costs are expensed as incurred.

### **Cost of Sales**

Cost of sales represents the associated expenses resulting from the processing, testing and storage of the umbilical cord blood. Cost of sales related to PrepaCyte CB represents the associated expenses resulting from the manufacturing of the PrepaCyte CB units.

### **Advertising**

Advertising costs are expensed as incurred and are included in selling, general and administrative expenses in the accompanying consolidated statements of comprehensive income (loss). Total advertising expense for the fiscal years ended November 30, 2017 and 2016 was approximately \$1,008,000 and \$1,186,000, respectively.

### **Rent Expense**

Rent is expensed on a straight-line basis over the term of the lease and is included in cost of sales and selling, general and administrative expenses in the accompanying consolidated statements of comprehensive income (loss). All leases include provisions for escalations and related costs.

### **Legal Expense**

Legal fees are expensed as incurred and are included in selling, general and administrative expenses in the accompanying consolidated statements of comprehensive income (loss).

### **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, accounts payable and accrued expenses approximate fair value due to the short-term nature of these instruments. The Company believes that the fair value of its Revenue Sharing Agreements ("RSA") liability recorded on the balance sheet is between the recorded book value and up to the Company's previous settlement experience, due to the various terms and conditions associated with each RSA.

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:

## Table of Contents

- 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 our financial assets and liabilities measured at fair value on a recurring basis as of November 30, 2017 and 2016, respectively, segregated among the appropriate levels within the fair value hierarchy:

Description	Fair Value at November 30, 2017	Fair Value Measurements at November 30, 2017 Using		
		Level 1	Level 2	Level 3
<b>Assets:</b>				
Trading securities	\$ 96,600	\$ 96,600	—	—
Available-for-sale securities	342,722	342,722	—	—
Total	<u>\$ 439,322</u>	<u>\$439,322</u>	<u>—</u>	<u>—</u>
Description	Fair Value at November 30, 2016	Fair Value Measurements at November 30, 2016 Using		
		Level 1	Level 2	Level 3
<b>Assets:</b>				
Trading securities	\$ 304,142	\$304,142	—	—
Available-for-sale securities	320,081	320,081	—	—
Total	<u>\$ 624,223</u>	<u>\$624,223</u>	<u>—</u>	<u>—</u>

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:

*Trading securities* – Fair values for these investments are based on quoted prices of identical securities in active markets and are therefore classified within Level 1 of the fair value hierarchy. For trading securities, there was approximately (\$82,000) and (\$17,000) in unrealized holding losses, respectively, recorded in other income and expense on the accompanying consolidated statements of comprehensive income (loss) for the twelve months ended November 30, 2017 and 2016.

*Available-for-sale securities* – These investments are classified as available for sale and consist of marketable equity securities that we intend to hold for an indefinite period of time. Investments are stated at fair value and unrealized holding gains and losses are reported as a component of accumulated other comprehensive income until realized. Realized gains or losses on disposition of investments are



## Table of Contents

computed using the first in, first out (FIFO) method and reported as income or loss in the period of disposition in the accompanying consolidated statements of comprehensive income (loss). For available-for-sale securities, there was approximately \$6,000 and (\$136,000) in unrealized holding gains (losses), net of tax, respectively, reported as comprehensive income on the accompanying statements of comprehensive income (loss) for the years ended November 30, 2017 and 2016.

### Product Warranty and Cryo-Cell Cares™ Program

In December 2005, the Company began providing its customers that enrolled after December 2005 a payment warranty under which the Company agrees to pay \$50,000 to its client if the umbilical cord blood 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. Effective February 1, 2012, the Company increased the \$50,000 payment warranty to a \$75,000 payment warranty to all of its new clients. Additionally, under the Cryo-Cell Cares™ program, the Company will pay \$10,000 to the client to offset personal expenses if the umbilical cord blood product is used for bone marrow reconstitution in a myeloblastic transplant procedure. The product warranty and the Cryo-Cell Cares program are available to 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 any estimated potential liabilities. The Company's reserve balance is based on the \$75,000 or \$50,000 (as applicable) 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 Company's reserve. In addition, the reserve will increase as additional umbilical cord blood specimens are stored which are subject to the warranty. As of November 30, 2017 and November 30, 2016 the Company recorded reserves under these programs in the amounts of approximately \$18,000 and \$17,000, respectively, which are included in accrued expenses in the accompanying consolidated balance sheets.

### Income (loss) per Common Share

Basic income (loss) per common share was computed by dividing net income by the weighted average number of common shares outstanding for the fiscal year ended or as of the date indicated. Diluted income per common share includes the effect of all dilutive stock options. The composition of basic and diluted net income (loss) per share is as follows:

	November 30, 2017	November 30, 2016
Numerator:		
Net income (loss)	\$ 2,315,100	(\$ 1,320,800)
Denominator:		
Weighted-average shares outstanding-basic	7,062,870	8,112,791
Dilutive common shares issuable upon exercise of stock options	590,114	—
Weighted-average shares-diluted	<u>7,652,984</u>	<u>8,112,791</u>
Income (loss) per share:		
Basic	<u>\$ 0.33</u>	<u>(\$ 0.16)</u>
Diluted	<u>\$ 0.30</u>	<u>(\$ 0.16)</u>

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## Table of Contents

For the year ended November 30, 2017, the Company excluded the effect of 22,500 stock options from the computation of diluted earnings per share, as the effect of potentially dilutive shares from the outstanding stock options would be anti-dilutive.

For the year ended November 30, 2016, the Company excluded the effect of all outstanding stock options from the computation of diluted earnings per share, as the effect of potentially dilutive shares from the outstanding stock options would be anti-dilutive.

### **Stock Compensation**

As of November 30, 2017, the Company has two stock-based employee compensation plans, which are described in Note 11 to the consolidated financial statements. The Company's most recent stock-based employee compensation plan became effective December 1, 2011 as approved by the Board of Directors and approved by the stockholders at the 2012 Annual Meeting. The Company recognized approximately \$972,000 and \$1,772,000 for the fiscal years ended November 30, 2017 and November 30, 2016, respectively, of stock compensation expense.

The Company recognizes stock-based compensation based on the fair value of the related awards. Under the fair value recognition guidance of stock-based compensation accounting rules, stock-based compensation expense is estimated at the grant date based on the fair value of the award and is recognized as expense over the requisite service period of the award. The fair value of service-based vesting condition and performance-based vesting condition stock option awards is determined using the Black-Scholes valuation model. For stock option awards with only service-based vesting conditions and graded vesting features, the Company recognizes stock compensation expense based on the graded-vesting method. To value awards with market-based vesting conditions the Company uses a binomial valuation model. The Company recognizes compensation cost for awards with market-based vesting conditions on a graded-vesting basis over the derived service period calculated by the binomial valuation model. The use of these valuation models 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.

The Company issues performance-based equity awards which vest upon the achievement of certain financial performance goals, including revenue and income targets. Determining the appropriate amount to expense based on the anticipated achievement of the stated goals requires judgment, including forecasting future financial results. The estimate of the timing of the expense recognition is revised periodically based on the probability of achieving the required performance targets and adjustments are made as appropriate. The cumulative impact of any revision is reflected in the period of the change. If the financial performance goals are not met, the award does not vest, so no compensation cost is recognized and any previously stock-recognized stock-based compensation expense is reversed.

The Company issues equity awards with market-based vesting conditions which vest upon the achievement of certain stock price targets. If the awards are forfeited prior to the completion of the derived service period, any recognized compensation is reversed. If the awards are forfeited after the completion of the derived service period, the compensation cost is not reversed, even if the awards never vest.

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## [Table of Contents](#)

### Recently Issued Accounting Pronouncements

In February 2018, the FASB issued Accounting Standards Update No. 2018-02, *Income Statement – Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income*. This update relates to the impacts of the tax legislation commonly referred to as the Tax Cuts and Jobs Act (the “Act”). The guidance permits the reclassification of certain income tax effects of the Act from Other Comprehensive Income to Retained Earnings (stranded tax effects). The guidance also requires certain new disclosures. The guidance is effective for annual periods beginning after December 15, 2018, and interim periods within that reporting period. Early adoption is permitted. Entities may adopt the guidance using one of two transition methods; retrospective to each period (or periods) in which the income tax effects of the Act related to the items remaining in Other Comprehensive Income are recognized or at the beginning of the period of adoption. The Company is currently evaluating the impact that the guidance may have on its Consolidated Financial Statements.

In May 2017, the FASB issued Accounting Standards Update No. 2017-09, *Compensation – Stock Compensation (Topic 718): Scope of Modification Accounting*. This update provides clarity, reduces the diversity in practice, and the cost and complexity when applying the guidance in Topic 718 to a change to the terms or conditions of a share-based payment award. The new standard is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017, although early adoption is permitted. The Company is currently evaluating the effect that the updated standard will have on our financial statements.

In January 2017, the FASB issued Accounting Standards Update No. 2017-04, *Intangibles – Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment*. The update removes Step 2 from the goodwill impairment test. The new standard is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019, although early adoption is permitted. The Company is currently evaluating the effect that the updated standard will have on our financial statements.

In December 2016, the FASB issued Accounting Standards Update No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. This update clarifies how entities should present restricted cash and restricted cash equivalents in the statement of cash flows. The new guidance requires a reconciliation of totals in the statement of cash flows to the related cash and cash equivalents and restricted cash captions in the balance sheet. The new standard is effective for fiscal years and interim periods within those fiscal years beginning after December 15, 2017 with early adoption permitted. The Company is currently evaluating the effect that the updated standard will have on our financial statements.

In August 2016, the FASB issued Accounting Standards Update No. 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*. This update addresses eight specific cash flow issues with the objective of reducing the existing diversity in practice in how certain cash receipts and cash payments are presented and classified in the statement of cash flows. The new standard is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017. The Company is currently evaluating the effect that the updated standard will have on our financial statements.

In June 2016, the FASB issued Accounting Standards Update No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. This update provides financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting

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## [Table of Contents](#)

date. To achieve this objective, the amendments in this update replace the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The new standard is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. The Company is currently evaluating the effect that the updated standard will have on our financial statements.

In May 2016, the FASB issued Accounting Standards Update No. 2016-12, *Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients*. This update clarifies the objectives of collectability, sales and other taxes, noncash consideration, contract modifications at transition, completed contracts at transition and technical correction. The amendments in this update affect the guidance in Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which is not yet effective but will become effective for annual and interim periods beginning after December 15, 2017. The Company has not yet selected a transition method nor has it determined the effect of the standard on its consolidated financial statements and related disclosures.

In April 2016, the FASB issued Accounting Standards Update No. 2016-10, *Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing*. This update clarifies how an entity identifies performance obligations related to customer contracts as well as help to improve the operability and understanding of the licensing implementation guidance. The amendments in this update affect the guidance in Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which is not yet effective but will become effective for annual and interim periods beginning after December 15, 2017. The Company has not yet selected a transition method nor has it determined the effect of the standard on its consolidated financial statements and related disclosures.

In March 2016, the FASB issued Accounting Standards Update No. 2016-09, *Compensation – Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting*. This update simplifies several aspects of the accounting for employee share-based payment transactions including the accounting for income taxes, forfeitures, and statutory tax withholding requirements, as well as classification in the statement of cash flows. The new standard is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2016. The Company is currently evaluating the effect that the updated standard will have on our financial statements.

In March 2016, the FASB issued Accounting Standards Update No. 2016-08, *Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net)*. This update amends the principal-versus-agent implementation guidance and illustrations in the Board's new revenue standard (ASC 606). The FASB issued the ASU in response to concerns identified by stakeholders, including those related to (1) determining the appropriate unit of account under the revenue standard's principal-versus-agent guidance and (2) applying the indicators of whether an entity is a principal or an agent in accordance with the revenue standard's control principle. The new standard is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017, with early adoption permitted. The Company is currently evaluating the effect that the updated standard will have on our financial statements.

In February 2016, the FASB issued Accounting Standards Update No. 2016-02, *Leases (Topic 842)*. This update requires organizations that lease assets with lease terms of more than 12 months to recognize assets and liabilities for the rights and obligations created by those leases on their balance sheets. It also requires new qualitative and quantitative disclosures to help investors and other financial statement users better understand the amount, timing, and uncertainty of cash flows arising from leases. The new standard is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018, with early adoption permitted. The Company is currently evaluating the effect that the updated standard will have on its consolidated balance sheets and related disclosures.

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## **Table of Contents**

In January 2016, the FASB issued Accounting Standards Update No. 2016-01, *Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*. This update requires all equity investments to be measured at fair value with changes in fair value recognized in net income, requires an entity to present separately in other comprehensive income the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk when the entity has elected to measure the liability at fair value in accordance with the fair value option for financial instruments, and eliminates the requirement for public entities to disclose the methods and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost on the balance sheet. The new standard is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. Early adoption is permitted for the accounting guidance on financial liabilities under the fair value option. The Company is currently evaluating the impact of the new standard on our financial statements.

In May 2014, the FASB issued Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This update provides a comprehensive new revenue recognition model that requires a company to recognize revenue to depict the transfer of goods or services to a customer at an amount that reflects the consideration it expects to receive in exchange for those goods or services. The guidance also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts. In August 2015, the FASB issued Accounting Standards Update No. 2015-14, *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date*, which defers the effective date of the guidance in Accounting Standards Update No. 2014-09 by one year. This update is now effective for annual and interim periods beginning after December 15, 2017, which will require us to adopt these provisions in the first quarter of fiscal 2019. Early application is permitted for annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period. This update permits the use of either the retrospective or cumulative effect transition method. The Company has not yet selected a transition method nor has it determined the effect of the standard its consolidated financial statements and related disclosures.

### **Note 2 – Goodwill**

On June 11, 2015, the Company entered into an Asset Purchase Agreement (the “APA”) with CMDG, for the purchase of certain assets and assumption of certain liabilities and contracts that CMDG used in the operation of its cord blood business, including the PrepaCyte CB Processing System which is used in cell processing laboratories to process and store stem cells from umbilical cord blood (the “Acquisition”). This transaction was accounted for as a business combination. The purchase price was \$2,400,000, plus the value of inventory, comprised of \$1,553,272 in cash and assumed liabilities of the seller less any prepayment made by the Company to CMDG (\$966,597 at closing and \$586,675 on or before September 30, 2015) and a note payable to the seller in the amount of \$1,300,000. The closing was effective on June 30, 2015.

In connection with the APA, the Company assumed an exclusive perpetual license agreement which enables the Company to use licensed technology in its umbilical cord blood processing and storage product for cord blood banking. Under the terms of the APA, the Company was to pay a royalty of \$5 per bag set unit sold, subject to minimum annual royalties totaling \$35,000. On July 12, 2017, the Company entered into a First Amendment to License Agreement (the “Amendment”) to pay \$100,000 as royalties for the licenses granted and per the Amendment the license will be fully paid and no further royalty payments or license fees will be due or owed now or in the future. As of the twelve months ended November 30, 2017, royalty expense was \$112,830 and is reflected in Cost of Sales on the accompanying comprehensive statements of income (loss).

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## Table of Contents

Goodwill represents the excess of the purchase price of the assets acquired from CMDG over the estimated fair value of the net tangible and identifiable intangible assets acquired. The annual impairment assessment is performed as of September 30 each year, and an assessment is performed at other times if an event occurs or circumstances change that would more likely than not reduce the fair value of the asset below its carrying value. Step one of the impairment assessment compares the fair value of the reporting unit to its carrying value and if the fair value exceeds its carrying value, goodwill is not impaired. If the carrying value exceeds the fair value, the implied fair value of goodwill is compared to the carrying value of goodwill. If the implied fair value exceeds the carrying value then goodwill is not impaired; otherwise, an impairment loss would be recorded by the amount the carrying value exceeds the implied fair value.

During the third quarter of fiscal 2016, the Company determined that there were sufficient indicators to trigger an interim goodwill impairment analysis. Goodwill is included in the PrepaCyte CB reporting segment and the indicators included, among other factors: (1) decline in projected revenues, (2) decline in forecasted cash flows, and (3) loss of a key customer.

Goodwill impairment testing is a two-step process. Step one involves comparing the fair value of the reporting unit to its carrying amount. If the carrying amount of the reporting unit is greater than zero and its fair value is greater than its carrying amount, there is no impairment. Fair value can be determined using market, income or cost-based approaches. Our determination of estimated fair value of the reporting unit is based on a combination of the income-based and market-based approaches. Under the income-based approach, the Company determined fair value based on estimated discounted cash flows. The cash flows are discounted by an estimated weighted-average cost of capital, which is intended to reflect the overall level of inherent risk of the reporting unit. Determining the fair value of a reporting unit is judgmental in nature and requires the use of significant estimates and assumptions, including revenue growth rates and EBITDA margins, discount rates and future market conditions, among others. Under the market-based approach, we determined fair value using the Guideline Company Method, comparing our reporting unit to similar, publicly-traded companies, developing multiples and applying them to our earnings and revenue bases. As a result of the analysis, the Company concluded that the carrying value of the reporting unit exceeded its estimated fair value. The second step of the process was then performed to measure the amount of impairment loss.

Step two involves comparing the implied fair value of the reporting unit goodwill with the carrying amount of that goodwill. If the carrying amount of the reporting unit goodwill exceeds the implied fair value of that goodwill, an impairment loss is recognized in an amount equal to the excess. As a result of the analysis, the Company concluded that an impairment of the PrepaCyte CB reporting segment existed as the carrying amount of the reporting unit exceeded the implied fair value. Applying ASC 350, *Intangibles-Goodwill and Other* guidance, the Company recorded a goodwill impairment charge of \$1,666,430 as of August 31, 2016.

The annual impairment assessment was performed as of September 30, 2016. The Company concluded that there was an additional impairment of the PrepaCyte CB reporting segment as the carrying amount of the reporting unit exceeded the implied fair value. Applying ASC 350, *Intangibles-Goodwill and Other* guidance, the Company recorded an additional goodwill impairment charge of \$111,392 as of November 30, 2016.

As of November 30, 2017, and November 30, 2016, there is no goodwill reflected on the consolidated balance sheets.

The operating results of PrepaCyte CB have been included in the consolidated statements of comprehensive income (loss) since the date of acquisition.

## Table of Contents

### Note 3 – Inventory

The components of inventory at November 30, 2017 and November 30, 2016 are as follows:

	2017	2016
Raw materials	\$ —	\$ 9,100
Work-in-process	97,210	—
Finished goods	210,854	261,000
Collection kits	14,220	98,760
Inventory reserve	(7,718)	(7,718)
Total inventory	<u>\$314,566</u>	<u>\$361,142</u>

### Note 4 – Intangible Assets

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.

During the fiscal quarter ended August 31, 2016, the Company determined that there were sufficient indicators to trigger an interim goodwill impairment analysis (Note 2). The Company reviews intangible assets with finite lives for impairment whenever events or changes in circumstances indicate that the related carrying amounts may not be recoverable. Determining whether an impairment loss occurred requires a comparison of the carrying amount to the sum of the future forecasted undiscounted cash flows expected to be generated by the asset per ASC 360, *Property, Plant and Equipment*. As a result of the Company's two-step impairment analysis, an impairment of intangible assets within the PrepaCyte CB reporting segment, license agreement and customer relationships, existed and an intangible asset impairment charge of \$211,267 was recorded as of August 31, 2016.

Intangible assets were as follows as of November 30, 2017 and 2016:

	<u>Useful lives</u>	<u>November 30, 2017</u>	<u>November 30, 2016</u>
Patents	10-20 years	\$ 34,570	\$ 34,570
Less: Accumulated amortization		(11,800)	(9,937)
License agreement	10 years	470,000	470,000
Less: Intangible asset impairment		(185,000)	(185,000)
Less: Accumulated amortization		(91,861)	(60,194)
Customer relationships	15 years	41,000	41,000
Less: Intangible asset impairment		(26,267)	(26,267)
Less: Accumulated amortization		(4,224)	(3,172)
Net Intangible Assets		<u>\$ 226,418</u>	<u>\$ 261,000</u>

## Table of Contents

Expected amortization related to these intangible assets for each of the next five fiscal years and for periods thereafter is as follows:

Fiscal years ending November 30:

2018	\$ 34,582
2019	\$ 34,582
2020	\$ 34,582
2021	\$ 34,582
2022	\$ 34,582
Thereafter	\$ 53,508
Total	<u>\$226,418</u>

Amortization expense of intangibles was approximately \$35,000 and \$44,000 for the twelve months ended November 30, 2017 and November 30, 2016, respectively.

### Note 5 – Note Payable

On June 30, 2015, the Company entered into a note payable in the amount of \$1,300,000 in connection with the APA (Note 2). The note was payable in 48 monthly installments of \$29,938 including principal and interest at the rate of 5% per annum, commencing on July 31, 2015, and ending on June 30, 2019. Pursuant to the APA, the note was secured by all assets, inventory, molds and tools sold and transferred to the Company, tangible personal property held for sale or lease, accounts, contract rights, and other rights to payment and general intangibles.

On April 22, 2016 the Company paid \$778,287 which constituted payment in full of the Company's payment obligations to CMDG pursuant to the terms of the original APA and Promissory Note, as well as pursuant to the terms of the Loan/Promissory Note Sale Agreement and Mutual Release executed by the Company and CMDG on April 22, 2016. Prior to making the payment in full, the Company made payments totaling \$269,443 pursuant to the terms of the original APA and Promissory Note. The remaining principal balance of the note payable is \$0 and is reflected on the accompanying balance sheets as of November 30, 2016. The difference between the remaining principal balance and the final payment made on April 22, 2016 was \$300,593 which was recorded as gain on extinguishment of debt for the twelve months ended November 30, 2016 on the accompanying consolidated statements of comprehensive income (loss). As of the twelve months ended November 30, 2017 and November 30, 2016, the Company recognized \$0 and \$22,265, respectively, of interest expense related to the note payable.

On May 20, 2016, the Company entered into a Credit Agreement ("Agreement") with Texas Capital Bank, National Association ("TCB") for a term loan of \$8.0 million in senior credit facilities. The proceeds of the term loan were used by the Company to fund repurchases of the Company's common stock. Subject to the terms of the Agreement, on May 20, 2016, TCB advanced the Company \$100,000. On July 1, 2016, TCB advanced the remaining principal amount of \$7,999,900 per a promissory note dated May 20, 2016 between the Company and TCB, at a rate of 3.75% per annum plus LIBOR, payable monthly with a maturity date of July 2021. On August 26, 2016, the Company entered into a First Amendment to Credit Agreement with TCB. Pursuant to terms of the First Amendment to Credit Agreement, on August 26, 2016, TCB made an additional advance to the Company in principal amount of \$2,133,433 per an Amended and Restated Promissory Note dated August 26, 2016 between the Company and TCB. The additional proceeds of the term loan were used by the Company to fund a portion of the Settlement Agreement and Release of All Claims with Charles D. Nyberg and Mary J. Nyberg, individually and as Trustees of the CDMJ Nyberg Family Trust as described in Note 15. As of November 30, 2017, and November 30, 2016, principal paid to date is approximately \$2,633,000 and \$633,000, respectively. As of November 30, 2017, and November 30, 2016, the Company paid interest of \$406,139 and \$164,799, respectively, which is reflected in interest expense on the accompanying consolidated statements of comprehensive income (loss).



## Table of Contents

On May 20, 2016, the Company also entered into a Subordination Agreement with TCB and CrowdOut Capital LLC (“CrowdOut”) for a subordinated loan of the principal amount of \$650,000, which amount CrowdOut advanced to the Company on May 20, 2016. The proceeds of the subordinated loan were to be used by the Company to fund continued repurchases of the Company’s common stock. Per a promissory note dated May 20, 2016 between the Company and CrowdOut, interest at 12% per annum on the principal sum of \$650,000 is payable monthly with a maturity date of July 2021, at which time, the principal amount of \$650,000 was payable. On June 5, 2017, the principal sum of \$650,000 plus interest of \$867 was paid to CrowdOut and the subordinated loan was paid in full. As of November 30, 2017 and November 30, 2016, the Company paid interest of \$40,300 and \$42,250, respectively, which is reflected in interest expense on the accompanying consolidated statements of comprehensive income (loss).

Collateral of the term and subordinated loans includes all money, securities and property of the Company.

The Company incurred debt issuance costs related to the term and subordinated loans in the amount of \$378,785 which is recorded as a direct reduction of the carrying amount of the note payable and amortized over the life of the loan. As of November 30, 2017, and November 30, 2016, \$125,434 and \$48,435, respectively, of the debt issuance costs have been amortized and are reflected in interest expense on the accompanying consolidated statements of comprehensive income (loss).

As of November 30, 2017, and November 30, 2016, the note payable obligation was as follows:

	November 30, 2017	November 30, 2016
Note payable	\$ 7,500,100	\$ 10,150,100
Unamortized debt issuance costs	(204,917)	(330,350)
Net note payable	<u>\$ 7,295,183</u>	<u>\$ 9,819,750</u>
Current portion of note payable	\$ 2,000,000	\$ 2,000,000
Long-term note payable, net of debt issuance costs	<u>5,295,183</u>	<u>7,819,750</u>
Total	<u>\$ 7,295,183</u>	<u>\$ 9,819,750</u>

Future principal payments under the note payable obligation are as follows:

Years ending November 30:	Amount
2018	\$2,000,000
2019	2,000,000
2020	2,000,000
2021	1,500,100
Total	<u>\$7,500,100</u>

Interest expense on the note payable for the years ended November 30, 2017 and November 30, 2016 was as follows:

	November 30, 2017	November 30, 2016
Interest expense on notes payable	\$ 446,439	\$ 229,314
Debt issuance costs	125,434	48,435
Total interest expense	<u>\$ 571,873</u>	<u>\$ 277,749</u>

## [Table of Contents](#)

### **Note 6 – Segment Reporting**

During the third quarter of fiscal 2015, the Company purchased certain assets and assumed certain liabilities and contracts that CytoMedical used in the operation of its cord blood business (See Note 2). The Company evaluated and determined that this acquisition qualifies as a separate segment.

The Company is organized in two reportable segments:

1. The cellular processing and cryogenic storage of umbilical cord blood and cord tissue stem cells for family use. Revenue is generated from the initial processing and testing fees and the annual storage fees charged each year for storage (the “Umbilical cord blood and cord tissue stem cell service”).
2. The manufacture of PrepaCyte CB units, the processing technology used to process umbilical cord blood stem cells. Revenue is generated from the sales of the PrepaCyte CB units (the “PrepaCyte CB”).

The following table shows, by segment: net revenue, cost of sales, operating profit, depreciation and amortization, interest expense, income tax (expense) benefit, other comprehensive loss, and assets for the years ended November 30, 2017 and 2016:

	For the years ended November 30,	
	2017	2016
<b>Net revenue:</b>		
Umbilical cord blood and cord tissue stem cell service	\$ 24,942,089	\$ 22,777,919
PrepaCyte CB	442,190	350,128
<b>Total net revenue</b>	<b>\$ 25,384,279</b>	<b>\$ 23,128,047</b>
<b>Cost of sales:</b>		
Umbilical cord blood and cord tissue stem cell service	\$ 6,257,628	\$ 5,446,126
PrepaCyte CB	466,763	328,674
<b>Total cost of sales</b>	<b>\$ 6,724,391</b>	<b>\$ 5,774,800</b>
<b>Operating profit:</b>		
Umbilical cord blood and cord tissue stem cell service	\$ 5,067,228	\$ 2,447,160
PrepaCyte CB	(61,002)	(2,013,566)
<b>Total operating profit</b>	<b>\$ 5,006,226</b>	<b>\$ 433,594</b>
<b>Depreciation and amortization:</b>		
Umbilical cord blood and cord tissue stem cell service	\$ 193,741	\$ 240,916
PrepaCyte CB	36,254	45,734
<b>Total depreciation and amortization</b>	<b>\$ 229,995</b>	<b>\$ 286,650</b>
<b>Interest expense:</b>		
Umbilical cord blood and cord tissue stem cell service	\$ 1,302,650	\$ 925,075
PrepaCyte CB	—	22,265
<b>Total interest expense</b>	<b>\$ 1,302,650</b>	<b>\$ 947,340</b>
<b>Income tax (expense) benefit:</b>		
Umbilical cord blood and cord tissue stem cell service	\$ (1,308,603)	\$ 1,141,823
PrepaCyte CB	—	17,589
<b>Total income tax (expense) benefit</b>	<b>\$ (1,308,603)</b>	<b>\$ 1,159,412</b>
<b>Other comprehensive income (loss):</b>		
Umbilical cord blood and cord tissue stem cell service	\$ 6,457	\$ (135,524)
PrepaCyte CB	—	—
<b>Total other comprehensive income (loss)</b>	<b>\$ 6,457</b>	<b>\$ (135,524)</b>

## Table of Contents

The following table shows the assets by segment as of November 30 2017 and November 30, 2016:

Assets:		
Umbilical cord blood and cord tissue stem cell service	\$23,360,714	\$ 18,960,261
PrepaCyte CB	549,283	578,207
Total assets	<u>\$23,909,997</u>	<u>\$ 19,538,468</u>

### NOTE 7- ALLOWANCE FOR DOUBTFUL ACCOUNTS

The activity in the allowance for doubtful accounts is as follows for the years ended November 30, 2017 and 2016:

December 1, 2015	\$2,067,130
Bad Debt Expense	630,113
Write-offs	(791,434)
Recoveries	<u>373,053</u>
November 30, 2016	2,278,862
Bad Debt Expense	77,012
Write-offs	(744,233)
Recoveries	<u>487,350</u>
November 30, 2017	<u>\$2,098,991</u>

### NOTE 8 – PROPERTY AND EQUIPMENT

The major classes of property and equipment are as follows:

	2017	2016
Furniture and equipment	\$ 5,066,605	\$ 4,987,623
Leasehold improvements	1,188,584	1,169,232
Computer software – internal use	<u>1,194,039</u>	<u>1,194,039</u>
	7,449,228	7,350,894
Less: Accumulated Depreciation	<u>(6,566,846)</u>	<u>(6,371,431)</u>
Total Property and Equipment	<u>\$ 882,382</u>	<u>\$ 979,463</u>

Depreciation expense was approximately \$230,000 in fiscal 2017 and approximately \$243,000 in fiscal 2016 of which approximately \$98,000 and \$132,000 is included in cost of sales, respectively, in the accompanying consolidated statements of comprehensive income (loss).

[Table of Contents](#)

**NOTE 9 – ACCRUED EXPENSES**

Accrued expenses are as follows:

	November 30,	
	2017	2016
Professional fees	\$ 84,555	\$ 32,210
Payroll and payroll taxes (1)	1,068,381	1,267,818
Interest expense	648,274	586,646
General expenses	424,782	223,955
Federal and state taxes	356,483	443,701
	<u>2,582,475</u>	<u>\$2,554,330</u>

(1) – Payroll and payroll taxes includes accrued vacation and wages due as of November 30, 2017 and November 30, 2016.

**NOTE 10 – INCOME TAXES**

The Company recorded the following income tax provision for the years ended November 30, 2017 and 2016.

	2017	2016
Current:		
Federal	\$1,483,000	\$ 432,000
State	483,000	212,000
Foreign	108,000	109,000
Subtotal	<u>2,074,000</u>	<u>753,000</u>
Deferred:		
Federal	(318,000)	(1,662,000)
State	(447,000)	(250,000)
Foreign	—	—
Subtotal	<u>(765,000)</u>	<u>(1,912,000)</u>
Income Tax (Benefit) Expense	<u>\$1,309,000</u>	<u>\$(1,159,000)</u>

## Table of Contents

As of November 30, 2017 and 2016, the tax effects of temporary differences that give rise to the deferred tax assets are as follows:

	2017	2016
<b>Tax Assets:</b>		
Deferred income (Net of Discounts)	\$ 5,886,000	\$ 4,917,000
NOLs, credits, and other carryforward items	8,000	459,000
Tax over book basis in unconsolidated affiliate	1,788,000	1,678,000
Accrued payroll	405,000	68,000
Reserves and other accruals	1,039,000	1,416,000
Stock compensation	711,000	433,000
Depreciation and Amortization	618,000	616,000
RSA Buy-out	1,909,000	1,996,000
<b>Total Assets:</b>	<u>12,364,000</u>	<u>11,583,000</u>
<b>Tax Liabilities:</b>		
Unrealized gains on AFS securities	(12,000)	(21,000)
<b>Total Liabilities:</b>	<u>(12,000)</u>	<u>(21,000)</u>
Less: Valuation Allowance	(2,316,000)	(2,301,000)
<b>Net Deferred Tax Asset</b>	<u>\$10,036,000</u>	<u>\$ 9,261,000</u>

A valuation allowance covering the deferred tax assets of the Company for November 30, 2017 and November 30, 2016, has been provided as the Company does not believe it is more likely than not that all of the future income tax benefits will be realized. The valuation allowance changed by approximately (\$73,000) and (\$329,000) during the years ended November 30, 2017 and 2016, respectively. The change for year ended November 30, 2016 was primarily a result of Nyberg's RSA Buy Out, impairment of the PrepaCyte's intangible assets, and a partial release of the valuation allowance. The change for year ended November 30, 2017 was a result of capital loss carryovers expiring unused.

The Company evaluates the recoverability of our deferred tax assets as of the end of each quarter, weighing all positive and negative evidence, and are required to establish and maintain a valuation allowance for these assets if we determine that it is more likely than not that some or all of the deferred tax assets will not be realized. The weight given to the evidence is commensurate with the extent to which the evidence can be objectively verified. If negative evidence exists, positive evidence is necessary to support a conclusion that a valuation allowance is not needed.

The positive evidence that weighed in favor of releasing the allowance as of November 30, 2016 and ultimately outweighed the negative evidence against releasing the allowance was the following:

- Identifiable sources of future income relating to the company's deferred revenue accounts.
- Certainty as to the amount available of deferred tax assets and nature in which the deferred tax assets reverse;
- Profitability for years ended November 30, 2014 and 2015 and our expectations regarding the sustainability of these profits;
- The Company's three-year cumulative position as of November 30, 2016; and
- The Company's taxable income projection for fiscal years ending November 30, 2017, 2018 and 2019.

## Table of Contents

The Tax Cuts and Jobs Act (the "Tax Act") was signed into law on December 22, 2017. The Tax Act makes significant changes to provisions of the Internal Revenue Code, including changing the corporate tax rate to a flat 21% rate as of January 1, 2018. This requires the Company's net deferred tax assets and liabilities to be revalued at the newly enacted U.S. corporate rate. The impact will be recognized in tax expense in the year of enactment (i.e., for the Company, the fiscal year ended November 30, 2018). Based on evaluation, the Company's discrete expense for the rate impact will be approximately \$3.0 million. Based on the Company's evaluation, the Tax Act is not expected to impact the recoverability of its deferred tax asset.

A reconciliation of the income tax provision with the amount of tax computed by applying the federal statutory rate to pretax income follows:

	For the Years Ended November 30,			
	2017	%	2016	%
Tax at Federal Statutory Rate	1,195,000	34.0	(880,000)	34.0
State Income Tax Effect	179,000	5.1	(94,000)	3.6
Valuation Allowance Release	—	0.0	(329,000)	(12.7)
Permanent Disallowances	159,000	4.5	184,000	(7.3)
Deferred Repricing	(343,000)	(9.8)	—	
Other	119,000	3.4	(40,000)	1.6
Foreign tax credits	(108,000)	(3.1)	(109,000)	4.3
Foreign tax withholding	108,000	3.1	109,000	(4.3)
Total income taxes	<u>\$1,309,000</u>	<u>37.2</u>	<u>\$(1,159,000)</u>	<u>47.7</u>

The Company adopted the accounting standard for uncertain tax positions, ASC740-10, on December 1, 2007. As required by the standard, 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. There were no uncertain tax positions as of November 30, 2017 and 2016.

The Company recognizes interest and penalties related to uncertain tax positions in income tax expense. For the years ended November 30, 2017 and 2016, the Company had no material provisions for interest or penalties related to uncertain tax positions.

The Company or one of its subsidiaries files income tax returns in the U.S. federal jurisdiction, and various state jurisdictions. The table below summarizes the open tax years and ongoing tax examinations in major jurisdictions as of November 30, 2017:

Jurisdiction	Open Tax Years	Examinations in Process
United States – Federal Income Tax	2013 - 2016	N/A
United States – Various States	2012 - 2016	N/A

[Table of Contents](#)

**NOTE 11 – STOCKHOLDERS’ EQUITY.**

**Common Stock Issuances**

During the year ended November 30, 2017, the Company issued 33,031 common shares to option holders who exercised options for \$64,696. During the year ended November 30, 2016, the Company issued 23,399 common shares to option holders who exercised options for \$40,340.

**Employee Stock Incentive Plan**

The Company 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”) and stock awards (i.e. performance options to purchase shares and performance units). As of November 30, 2017, and November 30, 2016, there were 457,250 and 572,281 options issued, but not yet exercised, under the 2006 Plan, respectively. As of November 30, 2017, there were 308,929 shares available for future issuance under the 2006 Plan.

The Company maintains the 2012 Equity Incentive Plan (the “2012 Plan”) which became effective December 1, 2011 as approved by the Board of Directors and approved by the stockholders at the 2012 Annual Meeting on July 10, 2012. The 2012 Plan originally reserved 1,500,000 shares of the Company’s common stock for issuance pursuant to stock options, restricted stock, SARs, and other stock awards (i.e. performance shares and performance units). In May 2012, the Board of Directors approved an amendment to the 2012 Plan to increase the number of shares of the Company’s common stock reserved for issuance to 2,500,000 shares. As of November 30, 2017, there were 569,729 service-based options issued, 129,729 service-based restricted common shares granted, 825,221 performance-based and 116,240 market-based restricted common shares granted under the 2012 Plan. As of November 30, 2016, there were 569,729 service-based options issued, 129,729 service-based restricted common shares granted, 630,970 performance-based and 116,240 market-based restricted common shares granted under the 2012 Plan. As of November 30, 2017, there were 859,081 shares available for future issuance under the 2012 Plan.

*Service-based vesting condition options*

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 to employees is calculated, in accordance with the “simplified method” for “plain vanilla” stock options allowed under GAAP. Expected dividends are based on the historical trend of the Company not issuing dividends.

Variables used to determine the fair value of the options granted for the years ended November 30, 2017 and November 30, 2016 are as follows:

	2017	2016
Weighted average values:		
Expected dividends	0%	0%
Expected volatility	52.07%	66.39%
Risk free interest rate	1.82%	1.22%
Expected life	5.0 years	5.6 years

[Table of Contents](#)

Stock option activity for options with only service-based vesting conditions for the year ended November 30, 2017, was as follows:

	Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Outstanding at November 30, 2016	1,142,010	\$ 2.36	4.99	\$2,157,112
Granted	25,000	6.95		27,750
Exercised	(33,031)	1.96		108,349
Expired/forfeited	(107,000)	2.19		628,280
Outstanding at November 30, 2017	<u>1,026,979</u>	2.50	4.48	<u>\$5,706,107</u>
Exercisable at November 30, 2017	<u>987,811</u>	2.41	4.34	<u>\$5,580,178</u>

The weighted average grant date fair value of options granted during the years ended November 30, 2017 and November 30, 2016 was \$3.23 and \$1.86, 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 either November 30, 2017 or November 30, 2016, as applicable. The intrinsic value of the Company's stock options changes based on the closing price of the Company's stock.

Significant option groups outstanding and exercisable at November 30, 2017 and related price and contractual life information are as follows:

Range of Exercise Prices	Outstanding			Exercisable	
	Outstanding	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Outstanding	Weighted Average Exercise Price
\$1.01 to \$2.00	423,750	3.93	\$ 1.73	423,750	\$ 1.73
\$2.01 to \$3.00	351,000	2.81	\$ 2.68	351,000	\$ 2.68
\$3.01 to \$4.00	227,229	7.57	\$ 3.18	205,564	\$ 3.18
\$6.01 to \$7.00	25,000	9.34	\$ 6.95	7,497	\$ 7.00
	<u>1,026,979</u>	4.48	<u>\$ 2.50</u>	<u>987,811</u>	<u>\$ 2.41</u>

A summary of the status of the Company's non-vested options as of November 30, 2017, and changes during the fiscal year then ended, is presented below:

	Options	Weighted Average Grant-Date Fair Value
Non-vested at November 30, 2016	97,406	\$ 1.84
Granted	25,000	3.23
Vested	(83,238)	1.99
Forfeited	—	—
Non-vested at November 30, 2017	<u>39,168</u>	<u>\$ 2.41</u>



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## Table of Contents

As of November 30, 2017, there was approximately \$51,000 of total unrecognized compensation cost related to non-vested share-based compensation arrangements granted under the 2006 Plan and the 2012 Plan. The cost is expected to be recognized over a weighted-average period of .78 years as of November 30, 2017. The total fair value of options vested during the fiscal year ended November 30, 2017 was approximately \$166,000.

### *Performance and market-based vesting condition options*

There were no performance-based or market-based vesting condition options granted during the fiscal years ended November 30, 2017 and November 30, 2016.

As of November 30, 2017 and November 30, 2016, there were no performance or market-based vesting condition options outstanding.

### *Restricted common shares*

During the first quarter fiscal 2014, the Company entered into Amended and Restated Employment Agreements (“Employment Agreements”) with each of the Company’s Co-CEOs. Per the Employment Agreements, each of the Co-CEOs received base grant equity awards in the form of restricted shares of the Company’s common stock. As of December 1, 2013, David Portnoy and Mark Portnoy were granted 70,270 and 59,459 shares of the Company’s common stock, respectively. The shares were issued under the Company’s 2012 Stock Plan and vested 1/3 upon grant, 1/3 on December 1, 2014 and the remaining 1/3 on December 1, 2015. As of November 30, 2017 and November 30, 2016, these shares are fully vested and there was \$0 of total unrecognized compensation cost related to these shares of restricted common stock.

The Employment Agreements also provide for the grant of restricted shares of the Company’s common stock based on certain performance measures being attained by each of the Company’s Co-CEOs. The Employment Agreements state if David Portnoy and Mark Portnoy are employed by the Company on November 30, 2014, then no later than February 15, 2015, the Company will grant up to 186,487 and 162,163 shares of restricted common shares, respectively, based on certain market and performance thresholds, as defined in the agreements. In addition, if David Portnoy and Mark Portnoy are employed by the Company on November 30, 2015, then no later than February 15, 2016, the Company will grant up to an additional 186,487 and 162,163 shares of restricted common shares, respectively, based on similar performance thresholds, as defined in the agreements.

As of November 30, 2015, certain market and performance thresholds were met during fiscal year 2015 and the Board agreed to grant David Portnoy and Mark Portnoy 118,117 and 102,711 shares of restricted common shares, respectively. The fair value of the shares with a grant date during the 2015 fiscal year was approximately \$336,000. During fiscal year 2016, there was approximately \$242,000 of total unrecognized compensation cost recognized as the Board granted certain subjective performance shares with a grant date during the 2016 fiscal year and these costs are reflected as selling, general and administrative expense in the accompanying consolidated statements of comprehensive income (loss) as of November 30, 2016.

As of April 15, 2016, the Company entered into Amended and Restated Employment Agreements (“Employment Agreements”) with each of the Company’s Co-CEOs. The Employment Agreements provide for the grant of shares of the Company’s common stock based on certain performance measures being attained by each of the Company’s Co-CEOs during fiscal year 2016. The Employment Agreements state if David Portnoy and Mark Portnoy are employed by the Company on

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## Table of Contents

November 30, 2016, then no later than February 28, 2017, the Company will grant up to 186,487 and 162,163 shares of common stock. Based upon the performance measures being attained, the Company granted a total of 183,145 and 159,257 shares of common stock to David Portnoy and Mark Portnoy, respectively. The fair value of the shares to be granted is approximately \$1,252,000 and is reflected as selling, general and administrative expense in the accompanying consolidated statements of comprehensive income (loss) for the year ended November 30, 2016. There was \$0 of total unrecognized compensation cost as of November 30, 2017.

As of April 18, 2016, the Company entered into a second Amendment Agreement (the "Amendment"), with the Company's CIO Oleg Mikulinsky effective December 1, 2015, amending certain terms of the Amendment Agreement dated May 1, 2013 and Mikulinsky Employment Agreement dated March 5, 2012. The Amendment provides for the grant of shares of the Company's common stock based on certain performance measures being attained by the Company during fiscal year 2016. The Amendment states if Executive is employed by the Company on November 30, 2016, then no later than February 28, 2017, the Company will grant Executive up to 20,000 shares of restricted stock based on performance as set forth in the Amendment. Based upon performance measures being attained, the Company granted a total of 19,620 shares of common stock to Oleg Mikulinsky. The fair value of the shares granted is approximately \$78,000, and \$32,000 is reflected as selling, general and administrative expense in the accompanying consolidated statements of comprehensive income (loss) for the year ended November 30, 2016. There remaining \$46,000 was reflected as selling, general and administrative expense in the accompanying consolidated statements of comprehensive income (loss) for the year ended November 30, 2017. There is \$0 of total unrecognized compensation cost as of November 30, 2017.

As of April 15, 2016, the Company entered into Amended and Restated Employment Agreements ("Employment Agreements") with each of the Company's Co-CEOs. The Employment Agreements provide for the grant of shares of the Company's common stock based on certain performance measures being attained by each of the Company's Co-CEOs during fiscal year 2017. The Employment Agreements state if David Portnoy and Mark Portnoy are employed by the Company on November 30, 2017, then no later than February 28, 2018, the Company will grant up to 186,487 and 162,163 shares of common stock. Based upon the performance measures being attained, the Company will grant a total of 121,801 and 105,915 shares of common stock to David Portnoy and Mark Portnoy, respectively. The fair value of the shares to be granted is approximately \$1,200,000, and \$704,000 is reflected as selling, general and administrative expense in the accompanying consolidated statements of comprehensive income (loss) for the year ended November 30, 2017. There is \$496,000 of total unrecognized compensation cost as of November 30, 2017 that will be recognized in fiscal year 2018.

As of April 18, 2016, the Company entered into a second Amendment Agreement (the "Amendment"), with the Company's CIO Oleg Mikulinsky effective December 1, 2015, amending certain terms of the Amendment Agreement dated May 1, 2013 and Mikulinsky Employment Agreement dated March 5, 2012. The Amendment provides for the grant of shares of the Company's common stock based on certain performance measures being attained by the Company during fiscal year 2017. The Amendment states if Executive is employed by the Company on November 30, 2017, then no later than February 28, 2018, the Company will grant Executive up to 20,000 shares of restricted stock based on performance as set forth in the Amendment. Based upon performance measures being attained, the Company will grant a total of 11,396 shares of common stock to Oleg Mikulinsky. The fair value of the shares granted is approximately \$80,000 and \$40,000 is reflected as selling, general and administrative expense in the accompanying consolidated statements of comprehensive income (loss) for the year ended November 30, 2017. There was \$40,000 of total unrecognized compensation cost as of November 30, 2017 that will be recognized in fiscal year 2018.

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## **Table of Contents**

### *Preferred Stock Rights Plan*

On November 26, 2014, the Board of Directors of the Company declared a dividend payable December 5, 2014 of one preferred share purchase right (a "Right") for each share of common stock, par value \$0.01 per share, of the Company (a "Common Share") outstanding as of the close of business on December 5, 2014 (the "Record Date") and authorized the issuance of one Right for each additional Common Share that becomes outstanding between the Record Date and the earliest of the close of business on the Distribution Date, the Redemption Date, and the close of business on the Final Expiration Date, and for certain additional Common Shares that become outstanding after the Distribution Date, such as upon the exercise of stock options or conversion or exchange of securities or notes.

Rights were to be issued pursuant to a Rights Agreement dated as of December 5, 2014 (the "Rights Agreement"), between the Company and Continental Stock and Transfer Trust, as Rights Agent (the "Rights Agent"). The Rights were not intended to prevent an acquisition of the Company that the Board of Directors of the Company considers favorable to and in the best interests of all shareholders of the Company. Rather, because the exercise of the Rights may cause substantial dilution to an Acquiring Person unless the Rights are redeemed by the Board of Directors before an acquisition transaction, the Rights Agreement ensures that the Board of Directors has the ability to negotiate with an Acquiring Person on behalf of unaffiliated shareholders.

The Rights Agreement were to expire on December 5, 2017, unless earlier redeemed, exchanged, terminated, or unless the expiration date is extended. Effective October 31, 2016, the Company terminated the Rights Agreement through an Amendment to Rights Agreement ("Rights Amendment") which revised the termination date of the Rights Agreement. Pursuant to the Rights Amendment, the termination of the Rights Agreement was effective October 31, 2016.

### **NOTE 12 – LICENSE AGREEMENTS**

The Company enters into two types of licensing agreements and in both types, the Company earns revenue on the initial license fees. Under the technology agreements, the Company earns processing and storage royalties from the affiliates that process in their own facility. Under the marketing agreements, the Company earns processing and storage revenues from affiliates that store specimens in the Company's facility in Oldsmar, Florida.

#### **Technology Agreements**

The Company has entered into a definitive License and Royalty Agreement with LifeCell International Private Limited, formerly Asia Cryo-Cell Private Limited, ("LifeCell") to establish and market its umbilical cord blood and menstrual stem cell programs in India.

Per the License and Royalty Agreement with Lifecell, there is a \$1,000,000 on the amount of royalty due to the Company per year and a \$10 Million cap on the amount of royalties due to the Company for the term of the License and Royalty Agreement. Since inception of the License and Royalty Agreement, the Company has recorded \$6,100,000 in royalty income due under the terms of the License and Royalty Agreement, of which, Lifecell has paid the Company \$5,700,000 as of November 30, 2017. The balance of \$400,000 is reflected as Accounts Receivable on the accompanying consolidated balance sheets.

#### **Marketing Agreements**

The Company has definitive license agreements to market the Company's umbilical cord blood stem cell programs in Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, Panama and Pakistan.

## Table of Contents

The following table details the processing and storage royalties earned for the technology agreements for fiscal years 2017 and 2016. The initial license fees and processing and storage royalties are reflected in licensee income in the accompanying consolidated statements of comprehensive income (loss).

	For the years ended November 30,					
	2017			2016		
	License Fee	Processing and Storage Royalties	Total	License Fee	Processing and Storage Royalties	Total
India	—	1,003,056	1,003,056	—	1,006,319	1,006,319
Total	\$ —	\$ 1,003,056	\$ 1,003,056	\$ —	\$ 1,006,319	\$ 1,006,319

## NOTE 13 – COMMITMENTS AND CONTINGENCIES

### Employment Agreements

The Company has employment agreements in place for certain members of management. These employment agreements which include severance arrangements, are for periods ranging from one to two years and contain certain provisions for severance payments in the event of termination or change of control.

### Leases

The Company entered into a ten-year lease in April 2004 for its 17,600-square foot cGMP/cGTP compliant corporate headquarters in Oldsmar, Florida. This facility contains the Company's executive offices, its conference and training center, its laboratory processing and cryogenic storage facility and its scientific offices. In January 2016, the Company extended the main lease through December 31, 2018 for the 17,600-square foot space.

Rent charged to operations was \$310,970 and \$288,832 for the fiscal years ended November 30, 2017 and 2016, respectively, and is included in cost of sales and selling, general and administrative expenses in the consolidated statements of comprehensive income (loss).

The future minimum rental payments under the operating lease are as follows:

Fiscal Year Ending November 30,	Rent
2018	\$229,038
2019	\$ 19,087

The Company entered into a one-year lease in November 2013 for an additional 800 square feet of office space in Miami, Florida for annual rent of approximately \$27,120. The lease commenced during December 2013. In December 2016, the Company extended the lease through December 31, 2018.

### Legal Proceedings

On December 3, 2015, a complaint styled *Gary T. Brotherson, M.D., et al. v. Cryo-Cell International, Inc.*, Case No. 15-007461-CI, Circuit Court, Sixth Judicial Circuit, Pinellas County, Florida, was served on the Company, naming it as defendant and alleging, among other things, that the Company breached certain agreements with plaintiffs and seeking damages in excess of \$15,000, the jurisdictional amount of

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## Table of Contents

the court in which the action is pending. On January 12, 2016, the Company served its answer, affirmative defenses, and counterclaim against the plaintiffs. The Company believes the plaintiffs' claims are without merit and it intends to contest the action vigorously. At this time, it is not possible for the Company to estimate the loss or the range of possible loss in the event of an unfavorable outcome, as the ultimate resolution of the complaint is uncertain at this time. No amounts have been accrued as of November 30, 2017.

On January 20, 2016, a class action complaint was filed in the Court of the Chancery of the State of Delaware against the Company and certain current officers and directors of the Company (Case No. 11915-VCG). The complaint alleged breaches of fiduciary duties and sought appropriate injunctive relief and a declaratory judgment against defendants that a certain provision of the Company's Amended and Restated Bylaws, as amended through September 22, 2014, violated Section 141(k) of the Delaware General Corporation Law relating to the removal of directors. The plaintiff amended the complaint on March 4, 2016 to remove the breach of fiduciary duty count and to move forward only on its claim that one provision of the Bylaws violated Section 141(k). On March 18, 2016, the Company announced that the Board of Directors had amended the Bylaw in question. Plaintiff filed a stipulation dismissing the action as moot on June 2, 2016. The Court retained jurisdiction to hear plaintiff's request for \$200,000 in attorneys' fee associated with mooted the litigation. The Court heard arguments on plaintiff's request for attorneys' fees on September 29, 2016. On October 7, 2016, the Court issued its order awarding Plaintiff \$50,000 in attorneys' fees and expenses which is reflected in the accompanying consolidated statements of comprehensive income (loss). The Company's maximum deductible under its Directors and Officers insurance policy for this claim was \$500,000.

On February 24, 2016, a complaint styled *Charles D. Nyberg and Mary J. Nyberg and as trustees of the CDMJ Nyberg Family Trust v. Cryo-Cell International, Inc.*, Case No. 8:16CV408t30, United States District Court, Middle District of Florida, Hillsborough County, Florida, was served on the Company, naming it as defendant and alleging, among other things, that the Company breached certain agreements with plaintiffs and seeking damages in excess of \$75,000, the jurisdictional amount of the court in which the action is pending. On July 27, 2016 the Company entered into a Settlement Agreement and Release of All Claims ("Agreement") with Charles D. Nyberg and Mary J. Nyberg, individually and as Trustees of the CDMJ Nyberg Family Trust (collectively, the "Nybergs"). Pursuant to the terms of the Agreement, the Company made a payment of \$3,400,000 (the "Settlement Payment") on August 26, 2016. In consideration of the Settlement Payment, all legal claims brought against the Company by the Nybergs pursuant to the lawsuit, were settled. Additionally, in consideration of the Settlement Payment, the Nybergs, who owned the rights to and interests in 50% of each of the Florida Revenue Sharing Agreement and the Texas Revenue Sharing Agreement (together, the "RSAs") terminated their rights to these interests in the RSAs, resulting in a 50% reduction in the Company's ongoing payment obligations under the RSAs (see Note 15).

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. The Company does not include an estimate of legal fees and other related defense costs in its estimate of loss contingencies.

### **NOTE 14 – RETIREMENT PLAN**

The Company maintains a 401(k) retirement plan (the "401(k) Plan"), which allows eligible employees to defer up to 15% of their eligible compensation. In fiscal 2008, the Company implemented an employer match up to certain limits. In fiscal 2010, the Company implemented a Safe Harbor provision with matching contributions up to certain limits. For the years ended November 30, 2017 and November 30, 2016, the Company made matching contributions of approximately \$141,000 and \$121,000, respectively, to the 401(k) Plan.

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## [Table of Contents](#)

### **NOTE 15 – REVENUE SHARING AGREEMENTS (“RSAs”)**

**Florida.** On February 9, 1999, the previous agreements with the Company’s Arizona Revenue Sharing investors were modified and replaced by a RSA for the state of Florida for a price of \$1,000,000. The revenue sharing agreement applies to net storage revenues originating from specimens from within the state of Florida. The revenue sharing agreement entitles the investors to revenues of up to a maximum of 33,000 storage spaces.

**Illinois.** In 1996, the Company signed agreements with a group of investors entitling them to a non-going 50% share of the Company’s 75% share of the annual storage fees (“net storage revenues”) less a deduction for 50% of billing and collection expenses generated by specimens stored in the Illinois Masonic Medical Center for a price of \$1,000,000. The agreements were modified in 1998 to broaden the covered specimens to those originating in Illinois and its contiguous states and stored in Oldsmar, Florida for a maximum of up to 33,000 storage spaces.

**Texas.** On May 31, 2001, the Company entered into an RSA with Red Rock Partners, an Arizona general partnership, entitling them to a non-going share in a portion of the Company’s net storage revenue generated by specimens originating from within the State of Texas for a price of \$750,000. The investors are entitled to a 37.5% share of net storage revenues originating in the State of Texas to a maximum of 33,000 storage spaces. During fiscal 2008, Red Rock assigned 50% of their interest in the agreement to SCC Investments, Inc., an Arizona corporation. During fiscal year 2010, SCC Investments, Inc. assigned its interest to SCF Holdings, LLC, an Arizona limited liability company.

The Company made total payments to all RSA holders of \$589,399 and \$666,138 for the fiscal years ended November 30, 2017 and 2016, respectively. The Company recorded an RSA accrual of \$616,990 and \$546,229 as of November 30, 2017 and 2016, respectively, related to interest owed to the RSA holders, which is included in accrued expenses in the Company’s consolidated financial statements. The Company also recorded interest expense of \$730,778 and \$669,590 for the fiscal years ended November 30, 2017 and 2016, respectively, which is reflected in interest expense on the accompanying consolidated statements of comprehensive income (loss).

#### ***Extinguishment of RSAs***

On July 27, 2016, the Company entered into a Settlement Agreement and Release of All Claims (“Agreement”) with Charles D. Nyberg and Mary J. Nyberg, individually and as Trustees of the CDMJ Nyberg Family Trust (collectively, the “Nybergs”). Pursuant to the terms of the Agreement, on August 26, 2016, the Company made a one-time lump-sum payment in the amount of \$3.4 million (the “Settlement Payment”). In consideration of the Settlement Payment, all legal claims brought against the Company by the Nybergs pursuant to a lawsuit (see Note 13), were settled. Additionally, in consideration of the Settlement Payment, the Nybergs, who owned the rights to and interests in 50% of each of the Florida Revenue Sharing Agreement and the Texas Revenue Sharing Agreement (together, the “FL and TX RSAs”) terminated their rights to these interests in the FL and TX RSAs, resulting in a 50% reduction in the Company’s ongoing payment obligations under the FL and TX RSAs. Pursuant to the terms of the Agreement, the Nybergs no longer have the rights to share in a portion of the Company’s storage revenues derived from specimens which originated in the states of Florida and Texas, including all rights to any storage revenues generated and unpaid prior to the date of the Agreement including entitlements that were due for the quarter ended May 31, 2016. The payment amount of \$3.4 million was offset by the carrying amount of the long-term liability related to the RSAs in the amount of \$875,000 and accrued expenses in the amount of \$272,612 to reflect the extinguishment of revenue sharing agreements in the amount of \$2,252,388 for the twelve months ended November 30, 2016.

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[Table of Contents](#)

**NOTE 16 – SHARE REPURCHASE PLAN**

In December 2011, the Company's Board of Directors authorized management at its discretion to repurchase up to one million (1,000,000) shares of the Company's outstanding common stock. On June 6, 2012, the Board of Directors of the Company increased the number of shares of the Company's outstanding common stock that management is authorized to repurchase to up to three million (3,000,000). On April 8, 2015, the Board of Directors of the Company increased the number of shares of the Company's outstanding common stock that management is authorized to repurchase to up to six million (6,000,000) shares. On October 6, 2016, the Board of Directors of the Company increased the number of shares of the Company's outstanding common stock that management is authorized to repurchase to up to eight million (8,000,000) shares. The repurchases must be effectuated through open market purchases, privately negotiated block trades, unsolicited negotiated transactions, and/or pursuant to any trading plan that may be adopted in accordance with Rule 10b5-1 of the Securities and Exchange Commission or in such other manner as will comply with the provisions of the Securities Exchange Act of 1934.

On June 20, 2016, the Company entered into a Stock Purchase Agreement with Ki Yong Choi and Michael Cho. Pursuant to the Stock Purchase Agreement, the Company purchased 2,179,068 Shares from Ki Yong Choi and 13,416 Shares from Michael Cho for \$4.50 per share, \$9,866,178 in the aggregate, that was funded through the proceeds of a term loan for approximately \$8 million in senior credit facilities and the remainder through the working capital of the Company.

As of November 30, 2017, the Company had repurchased an aggregate of 5,801,086 shares of the Company's common stock at an average price of \$3.37 per share through open market and privately negotiated transactions. As of November 30, 2016, the Company had repurchased an aggregate of 5,714,171 shares of the Company's common stock, inclusive of the shares that were accepted as part of the tender offer for the Stock Purchase Agreement with Ki Yond Choi and Michael Cho, at an average price of \$3.35 per share through open market and privately negotiated transactions.

The repurchased shares are held as treasury stock at cost and have been removed from common shares outstanding as of November 30, 2017 and November 30, 2016. As of November 30, 2017, and November 30, 2016, 5,801,086 and 5,714,868 shares, respectively, were held as treasury stock.

Subsequent to the balance sheet date, the Company has not repurchased any additional shares of the Company's common stock.

**NOTE 17 – RELATED PARTY TRANSACTIONS**

David Portnoy, the Company's Chairman and Co-Chief Executive officer, is the brother of the Company's Co-Chief Executive Officer Mark Portnoy. The Company's Audit Committee Chairman, Harold Berger, provides accounting services to the Company's Co-Chief Executive Officer Mark Portnoy and to PartnerCommunity, Inc. The Company's Chairman and Co-Chief Executive Officer, David Portnoy, serves as the Chairman of the Board of PartnerCommunity, Inc.

**ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

None.

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## [Table of Contents](#)

### **ITEM 9A. 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 officers and principal financial officer have concluded that the Company's disclosure controls and procedures are effective, and 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.

The Company has not made an amended 8-K filing with respect to the Current Reports on Form 8-K that was filed on July 16, 2015 to announce the acquisition of PrepaCyte. Accordingly, the Company is not deemed a timely filer. Management intends to subsequently make this amended 8-K filing to include the required pre-acquisition financial statements of PrepaCyte as well as the required pro forma financial information.

#### **Management's Report on Internal Control over Financial Reporting**

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Under the supervision and with the participation of our management, including our principal executive officers and principal financial officer, we conducted an evaluation under the criteria set forth in the 1992 *Internal Control—Integrated Framework* of the effectiveness of our internal control over financial reporting as of November 30, 2017. The Company's principal executive officers and principal financial officer concluded that the Company's disclosure controls and procedures and internal controls over financial reporting were effective.

This Annual Report does not include an attestation report of our independent registered public accounting firm regarding internal control over financial reporting. We were not required to have, nor have we engaged our independent registered public accounting firm to perform, an audit on our internal control over financial reporting pursuant to the rules of the Securities and Exchange Commission that permit us to provide only management's report in this Annual Report.

#### **Changes in Internal Control over Financial Reporting**

There were no other changes in the Company's internal control over financial reporting during the quarter ended November 30, 2017 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 Co-CEOs 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.



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## Table of Contents

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, 31.2 and 31.3 to this report there are Certifications of the Co-CEOs 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.

### **ITEM 9B. OTHER INFORMATION.**

Not applicable.

## **Part III**

### **ITEM 10. DIRECTORS, EXECUTIVE OFFICERS, AND CORPORATE GOVERNANCE.**

Below are the names, ages and background of the Board of Directors and Executive Officers of the Company, as well as the particular and specific experience, qualifications, attributes, or skills that led the Board to conclude that each director should serve on our Board of Directors in light of the Company's business. The Board of Directors has determined that other than Messrs. Portnoy and Portnoy, who are officers of the Company, each of our directors is deemed to be independent under the Nasdaq standards which we choose to follow.

**David I. Portnoy**, age 55, Chairman and Co-Chief Executive Officer. Mr. Portnoy has served as Chairman of the Board and Co-Chief Executive Officer of the Company since August 2011. Since 2002, Mr. Portnoy has served as Chairman of the Board of Directors of Partner-Community, Inc., which provides software and hardware integration solutions to telecommunication companies and which was awarded the Verizon 2010 Supplier Recognition Award for Outstanding Performance. Mr. Portnoy graduated Magna Cum Laude in 1984 from The Wharton School of Finance at the University of Pennsylvania where he earned a Bachelor of Science Degree in Economics with a joint major in finance and accounting. David I. Portnoy is the brother of Mark L. Portnoy, a director and Co-Chief Executive Officer of the Company. We believe that Mr. Portnoy's knowledge of the Company having served as its Co-Chief Executive Officer assists the Board with its oversight of the strategic plan of the Company. Additionally, we believe that Mr. Portnoy's financial and business experiences provide the Board with general business acumen.

**Mark L. Portnoy**, age 54, Co-Chief Executive Officer. Mr. Portnoy has served as a director and Co-Chief Executive Officer since August 2011. Additionally, since 2002 and 2007, Mr. Portnoy has served on the boards of directors of Partner-Community, Inc. and uTIPu Inc., a private Internet-based business, respectively. Mr. Portnoy has been engaged in managing his personal investments since April 1997. From January 1995 to April 1997, Mr. Portnoy was employed at Strome, Susskind Investments as its Chief Fixed Income Trader. From March 1986 until November 1991, Mr. Portnoy was employed at Donaldson, Lufkin & Jenrette Securities Corp. as a Fixed Income Arbitrage Trader, with a trading

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## **Table of Contents**

portfolio ranging in size from \$1 billion to \$7 billion. In addition to the finance experience, Mr. Portnoy's experience includes negotiating contracts for National Basketball Association (NBA) players totaling approximately \$30 million. Mr. Portnoy graduated Phi Beta Kappa from the University of North Carolina at Chapel Hill with a degree in Economics in December 1985. Mark L. Portnoy is the brother of David I. Portnoy, Chairman of the Board and Co-Chief Executive Officer of the Company. We believe that Mr. Portnoy's knowledge of the Company having served as its Co-Chief Executive Officer assists the Board with its oversight of the strategic plan of the Company. Additionally, we believe that Mr. Portnoy's financial and business experiences provide the Board with general business acumen.

**Jonathan H. Wheeler M.D.**, age 58, has served as a director since August 2011. Dr. Wheeler is a licensed physician specializing in the fields of obstetrics and gynecology. He has practiced in these fields in Newport Beach, California since 1992. Dr. Wheeler received his B.A. in Biology from the State University of New York (SUNY) at Buffalo. He completed his medical degree at Cornell University Medical College in 1986. His Obstetrics and Gynecology training was received at UCLA Medical Center in a combined internship and residency program. There, he received honorary awards for his work in advanced laparoscopy and completed research in innovative surgical techniques. Dr. Wheeler is Board certified in Obstetrics and Gynecology. He is a member of the American College of Obstetrics and Gynecology, the American Association of Gynecologic Laparoscopists, the Orange County Obstetrics and Gynecology Society and is a Diplomat of the American Board of Obstetrics and Gynecology. In the past Dr. Wheeler has served as Chairman and Vice-Chairman of the Department of Obstetrics and Gynecology at Hoag Hospital and has served on numerous committees including education, surgery and advancement of Women's Health Services. We believe that Dr. Wheeler's professional experience provides the Board with critical insight into the medical fields of obstetrics and gynecology. Additionally, we believe that through his attendance at medical conferences and seminars, as well as through his daily medical practice, Dr. Wheeler provides the Company with additional business development opportunities through his extensive industry contacts.

**George Gaines**, age 64, has served as a director since August 2011. Mr. Gaines is the founder and owner, since 2009, of Orrington Advisors, a business consulting firm headquartered in Evanston, Illinois which primarily provides consulting services to entities seeking to structure and raise capital for private equity funds. Since 2009 Mr. Gaines has also served on the Board of Directors and as Executive Vice President-Corporate Strategy of Kastan Mining PLC, a privately held company headquartered in Evanston, Illinois which has copper and blue mining operations in Tanzania. From 2003 until 2009, Mr. Gaines was a senior partner of Berchwood Partners, Evanston, Illinois, an investment banking and private equity fund placement agent. We believe that Mr. Gaines' business consulting experience provides the Board with general business acumen and an increased ability to effectively oversee and assess management's execution of the Company's strategic business plan.

**Harold D. Berger**, age 54, has served as a director since August 2011. Mr. Berger is a certified public accountant. Prior to opening his own accounting practice in 2005, Mr. Berger was an equity partner with Habif, Arogeti & Wynne, LLP, an accounting firm based in Atlanta, Georgia. Over the past 25 years, Mr. Berger also has served on boards for a variety of charitable organizations. Mr. Berger currently serves as Treasurer and Executive Committee Member of the Holly Lane Foundation (f/k/a The Gatchell Home, Inc.), as Director and Finance committee member of the Jewish Educational Loan Fund, Inc., and as Director and financial adviser to The Atlanta Group Home Foundation, Inc. Mr. Berger graduated in December 1987 from the University of Texas at Austin with a Master's Degree in Professional Accounting. Mr. Berger is a member of the American Institute of Certified Public Accountants (AICPA) and the Georgia Society of Certified Public Accountants (GSCPA). We believe that Mr. Berger's years of experience as an auditor and accountant, including expertise in financial accounting, provides the Board and the Audit Committee of the Board with valuable financial and accounting experience.

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## **Table of Contents**

Biographical information regarding the Company's executive officers who are not as directors of the Company is set forth below:

**Jill Taymans**, age 48, is the Company's Vice President, Finance and Chief Financial Officer. Ms. Taymans joined the Company in April 1997 serving initially as Controller and was appointed Chief Financial Officer in May 1998. Ms. Taymans graduated from the University of Maryland in 1991 with a BS in Accounting. She has worked in the accounting industry for over 20 years in both the public and private sectors. Prior to joining the Company, she served for three years as Controller for a telecommunications company.

**Oleg Mikulinsky**, age 45, is the Company's Chief Information Officer. Mr. Mikulinsky has served as Cryo-Cell's Chief Information Officer since March 2012. Mr. Mikulinsky is a software technologist and serial entrepreneur. He has been a founding member of several software enterprises and most recently served as Chief Technology Officer of Partner-Community, Inc and Chief Technology Officer at uTIPu Inc. from 2007 to 2009. Before that, Mr. Mikulinsky served as the Director of Enterprise Architecture at WebLayers, Inc. where he defined enterprise architecture best practices for companies like AT&T, Defense Information's Systems Agency (DISA), as well as for many major banking institutions. He contributed to the development of International systems interoperability standards at OASIS-OPEN.ORG and WS-I.ORG. Prior to starting his professional career as a software engineer in United States, Mr. Mikulinsky studied radio electronics at the Bauman Moscow State Technical University (BMSTU), Russia.

### **Audit Committee Financial Expert**

The audit committee is comprised entirely of non-employee, independent members of the board of directors. The purpose of the audit committee is to assist the board of directors in fulfilling its oversight responsibilities by reviewing the Company's internal control systems, audit functions, financial reporting processes, and methods of monitoring compliance with legal and regulatory matters and engaging the Company's independent principal accountants. The board of directors has determined that each of the audit committee members is able to read and understand fundamental financial statements. In addition, the board of directors has determined that the chairman of the audit committee, Mr. Harold Berger, is an "audit committee financial expert" as that term is defined in Item 407(d)(5) of Regulation S-K promulgated under the Securities and Exchange Act of 1934. Mr. Berger's relevant experience includes his current position with his own accounting practice, as well as, his prior position as an equity partner with Habif, Arogeti & Wynne, LLP, an accounting firm based in Atlanta, Georgia.

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires our officers, directors and persons who are the beneficial owners of more than 10% of our common stock to file with the SEC initial reports of ownership and reports of changes in ownership of our common stock. Officers, directors and beneficial owners of more than 10% of our common stock are required by SEC regulations to furnish us with copies of all Section 16(a) forms they file. Based solely on a review of the copies of the Forms 3, 4 and 5 and amendments that we received with respect to transactions during the fiscal year ended November 30, 2017, we believe that all such forms were filed on a timely basis.

### **Code of Ethics**

The Company has adopted a code of ethics for its chief executive officer and all senior financial officers, including the chief financial officer and principal accounting officer. The code of ethics is available to any shareholder, without charge, upon written request to the Company in care of the Corporate Secretary at 700 Brooker Creek Boulevard, Suite 1800, Oldsmar, Florida 34677. The Code of Ethics is also available on the Company's Website, [www.cryo-cell.com](http://www.cryo-cell.com).

[Table of Contents](#)

**ITEM 11. EXECUTIVE COMPENSATION.**

**Summary Compensation Table**

The table below summarizes the total compensation paid or earned during the fiscal years ended November 30, 2017 and November 30, 2016 by (i) the Company's Co-Chief Executive Officers and (ii) the two other most highly compensated individuals that served as executive officers of the Company as of November 30, 2017 whose total compensation received from the Company during such fiscal year (other than non-qualified deferred compensation earnings, if any) exceeded \$100,000 (collectively, the "named executives").

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Option and Restricted Common Stock Awards (\$) (1)	Non-Equity Incentive Plan Compensation (\$)	All Other Compensation (\$) (2)	Total (\$)
David Portnoy	2017	\$409,500	\$403,960	\$ 430,886	\$ 0	\$ 0	\$1,244,346
Co-Chief Executive Officer	2016	\$390,000	\$382,933	\$ 887,129	\$ 0	\$ 0	\$1,660,062
Mark Portnoy	2017	\$346,500	\$341,812	\$ 373,653	\$ 0	\$ 0	\$1,061,965
Co-Chief Executive Officer	2016	\$330,000	\$324,020	\$ 769,353	\$ 0	\$ 0	\$1,423,373
Jill M. Taymans	2017	\$177,852	\$ 9,450	\$ —	\$ 0	\$ 0	\$ 187,302
Vice President Finance, Chief Financial Officer	2016	\$177,852	\$ 9,000	\$ 12,879	\$ 0	\$ 0	\$ 199,731
Oleg Mikulinsky	2017	\$220,500	\$ 21,752	\$ 131,221	\$ 0	\$ 0	\$ 373,473
Chief Information Officer	2016	\$210,000	\$ 20,596	\$ 58,897	\$ 0	\$ 0	\$ 289,493

- (1) Represents the dollar amount recognized for financial reporting purposes in fiscal 2017 and 2016. The fair value was estimated using the Black-Scholes option-pricing model. The amount reported has been adjusted to eliminate service-based forfeiture assumptions used for financial reporting purposes. See Note 11, Stockholders' Equity, to our consolidated financial statements for a discussion of our accounting for stock options and the assumptions used.
- (2) Represents perquisites and other benefits, valued on the basis of aggregate incremental cost to the Company.

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## [Table of Contents](#)

### **Narrative Disclosure Regarding Summary Compensation Table**

#### **Compensation Philosophy**

Our executive compensation policies are designed to provide competitive levels of compensation that integrate pay with our annual objectives and long-term goals, align the long-term interests of management with those of our shareholders, reward for achieving performance objectives, recognize individual initiative and achievements, and assist us in attracting and retaining highly qualified and experienced executives. The Compensation Committee of our board of directors is primarily responsible for acting on our philosophical approach to executive compensation. There are three primary elements in our executive compensation program: base salary compensation, cash bonus and stock options.

Base salary compensation is based on the potential impact the individual may have on the Company, the skills and experience required by the job, comparisons with comparable companies and the performance and potential of the incumbent in the job.

A cash bonus pool along with Company performance targets and individual performance objectives are established at the beginning of each fiscal year by the Compensation Committee. At the end of the fiscal year each performance target is measured and bonuses are paid if the set performance targets established at the beginning of the fiscal year are attained. A percentage of the pre-determined cash bonus pool is paid to the named executive officer depending on the performance targets met by the Company and the individual. In fiscal 2017 the Company's Co-CEOs and Chief Information Officer were entitled to a cash bonus equal to 8.33% of base salary times the number of the six performance targets achieved. In fiscal 2016, the Company's threshold, target and stretch performance standards required to earn cash bonuses were based on net revenue as of November 30, 2017, of \$24,514,637, \$24,977,360 and \$25,461,796, respectively, and the Company's adjusted net income as of November 30, 2017 of \$6,254,854, \$6,390,211 and \$6,543,283, respectively. The third criteria for cash bonuses to the Co-CEOs and Chief Information Officer consist of subjective performance, as determined in the sole discretion of the Compensation Committee of the Board of Directors. Cash bonuses were accrued in fiscal 2017 and payable to the Co-CEO's, Chief Information Officer and Chief Financial Officer totaling \$403,960, \$341,812, \$21,752 and \$9,450, respectively. In fiscal 2016 the Company's Co-CEOs and Chief Information Officer were entitled to a cash bonus equal to 8.33% of base salary times the number of the six performance targets achieved. In fiscal 2016, the Company's threshold, target and stretch performance standards required to earn cash bonuses were based on net revenue as of November 30, 2016, of \$21,355,962, \$22,355,962 and \$23,355,962, respectively, and the Company's adjusted net income as of November 30, 2017 of \$3,161,905, \$3,328,325 and \$3,494,737, respectively. The third criteria for cash bonuses to the Co-CEOs and Chief Information Officer consist of subjective performance, as determined in the sole discretion of the Compensation Committee of the Board of Directors. Cash bonuses were accrued in fiscal 2016 and payable to the Co-CEO's, Chief Information Officer and Chief Financial Officer totaling \$382,933, \$324,020, \$20,596 and \$9,000, respectively. With respect to the subjective performance reviews, in addition to evaluating the Company's overall financial performance, the Compensation Committee considers the performance of each named executive officer's business line or area of responsibility. Several key management competencies and behaviors are assessed, including the named executive officer's effectiveness as a leader and his or her role in building a cohesive executive team, as well as other strategic core competencies such as accountability, analytical ability and decision making, communication, cooperation and teamwork, creativity and problem-solving, and integrity. The named executive officer's performance relating to these competencies forms the basis of a performance review discussion with the named executive officer that reinforces his or her role in achieving the Company's business plan and short- and long-term strategies.

In fiscal 2017, the Company's Co-CEOs were entitled to and pursuant to their employment agreements, a restricted stock grant of up to 186,487 and 162,163 shares based on performance. The Company shall grant each Co-CEO a number of shares of restricted stock equal to a percentage of 186,487 and 162,163 shares equal to the sum of (x) the product of 16.67% and the number of the net revenue and adjusted cash flow performance goals achieved at the "target" level and (y) the product of 8.33% and the number of the net revenue and adjusted cash flow performance goals achieved at the "stretch" level and up to 50% at the discretion of the Compensation Committee to the Board of Directors based on their subjective performance determination. For fiscal 2017, 121,801 and 105,915 shares will be issued to the Co-CEO's.

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## **Table of Contents**

In fiscal 2017, the Company's Chief Information Officer was entitled to and pursuant to his employment agreement, a restricted stock option grant of up to 20,000 shares based on performance. The Company shall grant the CIO a number of shares of restricted stock equal to a percentage of 20,000 shares equal to the sum of (x) the product of 16.67% and the number of the net revenue and adjusted cash flow performance goals achieved at the "target" level and (y) the product of 8.33% and the number of the net revenue and adjusted cash flow performance goals achieved at the "stretch" level and up to 50% at the discretion of the Co-CEOs based on his subjective performance determination. There are 14,729 shares to be issued to the Chief Information Officer.

In fiscal 2016, the Company's Co-CEOs were entitled to and pursuant to their employment agreements, stock options grants of 70,270 and 59,459. One-third of each grant is vested upon grant, one-third vested on December 1, 2016 and one-third vested on December 1, 2017. In addition, the Company's Co-CEOs were entitled to and pursuant to their employment agreements, a restricted stock grant of up to 186,487 and 162,163 shares based on performance. The Company shall grant each Co-CEO a number of shares of restricted stock equal to a percentage of 186,487 and 162,163 shares equal to the sum of (x) the product of 16.67% and the number of the net revenue and adjusted cash flow performance goals achieved at the "target" level and (y) the product of 8.33% and the number of the net revenue and adjusted cash flow performance goals achieved at the "stretch" level and up to 50% at the discretion of the Compensation Committee to the Board of Directors based on their subjective performance determination. In fiscal 2016, 183,145 and 159,257 shares were issued to the Co-CEO's.

In fiscal 2016, the Company's Chief Information Officer was entitled to and pursuant to his employment agreement, a restricted stock option grant of up to 20,000 shares based on performance. The Company shall grant the CIO a number of shares of restricted stock equal to a percentage of 20,000 shares equal to the sum of (x) the product of 16.67% and the number of the net revenue and adjusted cash flow performance goals achieved at the "target" level and (y) the product of 8.33% and the number of the net revenue and adjusted cash flow performance goals achieved at the "stretch" level and up to 50% at the discretion of the Co-CEOs based on his subjective performance determination. There are 19,620 shares to be issued to the Chief Information Officer.

Stock options are granted to our executive officers in order to maintain competitive pay packages and to align management's long-term interests with those of our stockholders. The compensation committee approves stock option grants to our executives and key personnel. Awards vest and options become exercisable based upon criteria established by the compensation committee. No stock options were awarded to the named executive officers in fiscal 2017. During fiscal 2016, 52,500 stock options were awarded to executive officers.

Overall, the compensation committee attempts to establish levels of executive compensation that it believes to be competitive with those offered by employers of comparable size, growth and profitability in the Company's industry and in general industry. In establishing the levels of the various compensation elements, the compensation committee has from time to time used the services of compensation consultants.

### **Employment Agreements and Change in Control Arrangements**

***David Portnoy and Mark Portnoy Employment Agreements.*** On April 15, 2016, the Company entered into new two-year employment agreements, effective December 1, 2015, with David Portnoy, Co-Chief Executive Officer of the Company and Mark Portnoy, Co-Chief Executive Officer of the Company. The new agreements supersede and replace prior employment agreements with each of the executives.

## Table of Contents

The agreements provide for an annual base salary of \$390,000 for David Portnoy and \$330,000 for Mark Portnoy. In addition to base salary, for the fiscal years ending November 30, 2016 and November 30, 2017, each executive will be entitled to a cash bonus equal to 8.33% of base salary times the number of the six bonus criteria achieved and a cash bonus of 16.66% of base salary times the number of three bonus criteria achieved, as set forth in the agreement. The agreements provide for a grant of 70,270 of the Company's stock options to David Portnoy on April 15, 2016 and for a grant of 59,459 of the Company's stock options to Mark Portnoy on April 15, 2016. One-third of each grant is vested upon grant, one-third will vest on December 1, 2016 and one-third will vest on December 1, 2017.

In addition to the grants described above, if David Portnoy is employed by the Company on November 30, 2016, then no later than February 28, 2017, the Company will grant him up to 186,487 shares of restricted stock based on performance. In addition, if David Portnoy is employed by the Company on November 30, 2017, then no later than February 28, 2018, the Company will grant him up to an additional 186,487 shares of restricted stock based on performance. For the fiscal years 2016 and 2017, the Company shall grant David Portnoy these additional shares of restricted stock based on attaining certain performance targets set forth in the agreement. Specifically, the Company shall grant David Portnoy a number of shares of restricted stock equal to a percentage of 186,487 shares equal to the sum of (x) the product of 16.67% and the number of the three performance goals achieved at the "target" level and (y) the product of 8.33% and the number of the three performance goals achieved at the "stretch" level. Identical provisions apply to Mark Portnoy, except the number of restricted shares to be granted in each case is 162,163 shares.

The agreements also provide for reimbursement for all business expenses, including reasonable commuting expenses for David Portnoy between his home in Miami, Florida to the Company's headquarters in Tampa, Florida, including lodging and rental car expenses for when he is working in the Company's offices in Tampa. David Portnoy's principal place of employment shall be at the Company's offices in Miami, Florida, provided he shall travel to the Company's headquarters as necessary to fulfill his responsibilities under the agreement. The Company shall pay reasonable legal and financial consulting fees and costs incurred in negotiating the agreements and shall pay each executive up to \$75,000 in legal fees related to any dispute or question of interpretation regarding the agreements. The executives will also participate in the employee benefit plans that the Company generally makes available to Company employees from time to time, including retirement and health plans.

Upon the occurrence of (i) an involuntary termination of employment; (ii) a voluntary termination of employment for "Good Reason" (as defined in the agreements); or (iii) an involuntary termination of employment or voluntary termination of employment for "Good Reason" at any time following a change in control (as defined in the agreement), the agreements provide for severance pay equal to two times the executive's then-current annual base salary, paid in a lump sum no later than 30 days after the occurrence of the triggering event. The Company will also reimburse the executives, on a grossed up basis, for any penalty taxes owed on any excess parachute amounts under Section 280G of the Internal Revenue Code of 1986, as amended. In addition, the Company shall provide, at no cost to the executives, continued life insurance coverage and nontaxable medical, dental and disability insurance coverage substantially similar to the coverage maintained by the Company for the executives prior to such termination for 36 months after the termination. If the termination of employment is due to disability (as defined in the agreement), the Company shall pay the executive two times his then-current base salary in a cash lump sum no later than 30 days after such disability, reduced by any amount paid to him from any disability insurance, Social Security, workman's compensation or other disability program. In addition, all unvested shares and options held by the executive shall become fully vested upon his disability. If the termination of employment is due to death, the Company shall pay the executive two times his then-current base salary as a cash lump sum within 30 days after his date of death, and the Company will continue to provide medical and dental coverage for the executive's family for two years after his death. The agreements include a one-year non-competition restriction and an 18-month restriction on solicitation of employees or customers.

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## Table of Contents

**Taymans Employment Agreement.** On November 1, 2005, the Company entered into a one-year employment agreement with Jill M. Taymans, the Company's Chief Financial Officer and Vice President (the "Taymans Employment Agreement"). Under the Taymans Employment Agreement, the one-year term is automatically extended for an additional one-year period unless, at least 60 days prior to the end of the then-current term, either party notifies the other in writing of its intent not to renew the agreement. The Taymans Employment Agreement was amended in July 2008 to provide that the then-current term would expire on November 30, 2008. The ending date of the current term of the Taymans Employment Agreement is November 30, 2018.

At all times during the term of the Taymans Employment Agreement (as the same may be extended), Ms. Taymans will be eligible for discretionary merit increases and adjustments in base salary, in addition to discretionary annual bonuses awarded at the discretion of the compensation committee of the Company's board of directors. The Taymans Employment Agreement provides that she will be eligible to receive long-term incentive awards provided to the Company's senior executives generally, on terms finally determined by the compensation committee of the Company's board of directors.

In the event of a termination of employment of Ms. Taymans upon or within one year of a Change in Control (as defined in the Taymans Employment Agreement), or prior to the Change in Control if the termination was related to the Change in Control, if the termination was by the Company without cause or was by Ms. Taymans due to being requested to accept without cause a demotion or relocation, Ms. Taymans will be entitled to receive the following: (i) all earned compensation through the date of termination (or, if greater, on the date immediately preceding a Change in Control); and (ii) 12 months of base salary as in effect on the termination date (or, if greater, base salary in effect immediately prior to the Change in Control).

Under the Taymans Employment Agreement, the Company will also provide Ms. Taymans with certain other benefits, including continued participation in all applicable Company benefit plans and payment of reasonable business expenses.

In the Taymans Employment Agreement, Ms. Taymans agreed not to compete with the Company or solicit its customers, clients or employees during the term of her Employment Agreement and for a 12-month period following her termination of employment under the agreement.

**Mikulinsky Employment Agreement.** On March 5, 2012, the Company entered into a one-year employment agreement (the "Mikulinsky Employment Agreement") with Oleg Mikulinsky, as the Company's Chief Information Officer. Under the Mikulinsky Employment Agreement, the one-year term was automatically extended for additional one-year periods unless, at least 30 days prior to the end of the then-current term, either party notifies the other in writing of its intent not to renew the agreement. On May 1, 2013, the Company entered into an Amendment Agreement amending certain terms of the Mikulinsky Employment Agreement dated March 5, 2012. On April 18, 2016, the Company entered into a second Amendment Agreement (the "Amendment"), effective December 1, 2015, amending certain terms of the Amendment Agreement dated May 1, 2013 and Mikulinsky Employment Agreement dated March 5, 2012. The term of the Amendment is two years.

Pursuant to the Amendment, the Executive's base salary was \$210,000 (the "Base Salary").

At all times during the term of the Mikulinsky Employment Agreement (as the same may be extended), Mr. Mikulinsky will be eligible for discretionary merit increases and base salary adjustments, in addition to discretionary annual bonuses awarded at the discretion of the compensation committee of the Company's board of directors. The Mikulinsky Employment Agreement provides he will also be eligible for long-term incentive awards provided to the Company's senior executives generally, on terms finally determined by the compensation committee of the Company's board of directors.



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## Table of Contents

In addition to the Base Salary, for the fiscal years ending November 30, 2016 and November 30, 2017, the Executive's cash bonus shall be a percentage of up to 10% of the Base Salary for such fiscal year, as set forth in the Amendment. The Amendment provides for a grant of 40,000 of the Company's stock options to Executive on April 18, 2016. One-third of grant is vested upon grant, one-third will vest on December 1, 2016 and one-third will vest on December 1, 2017. In addition to the grants described above, if Executive is employed by the Company on November 30, 2016, then no later than February 28, 2017, the Company will grant Executive up to 20,000 shares of restricted stock based on performance as set forth in the Amendment. In addition, if Executive is employed by the Company on November 30, 2017, then no later than February 28, 2018, the Company will grant Executive up to an additional 20,000 shares of restricted stock based on performance, as set forth in the Amendment.

Per the Amendment, in the event of the Executive's voluntary resignation from the Company's employment upon a Change in Control or the Executive's employment is terminated upon or within one (1) year after a Change in Control, as defined in the Employment Agreement, or prior to the Change in Control if the Executive's termination, demotion or relocation was either a condition of the Change in Control or was at the request of any person related to the Change in Control, and such termination was initiated by the Company without cause or by the Executive due to being requested to accept without cause a demotion or relocation:

- (i) The Company shall pay to the Executive any earned and accrued but unpaid installment of Base Salary through the date of resignation or termination, at the rate in effect on the date of termination, or if greater, on the date immediately preceding the date that a Change in Control occurs, and all other unpaid amounts to which the Executive is entitled as of the date of termination under any compensation plan or program of the Company, including, without limitation, all accrued vacation time. Stock options, shares of restricted stock, performance awards, stock appreciation rights, and LTI awards granted to Executive by the Company through the date of termination shall be treated in accordance with the applicable plans and policies of the Company. All outstanding stock options shall vest upon termination.
- (ii) In lieu of any further Base Salary, bonus payments and benefits to the Executive for periods subsequent to the date of resignation or termination, the Company shall pay as liquidated damages to the Executive, an amount equal to twelve (12) months of the Executive's annual Base Salary at the rate in effect as of the date of termination, or if greater, on the date immediately preceding the date that a Change in Control occurs.

In the Mikulinsky Employment Agreement, Mr. Mikulinsky agreed not to compete with the Company or solicit its customers, clients or employees during the term of his respective Employment Agreement and for a 12-month period following the termination of employment under agreements.

## Table of Contents

### Outstanding Equity Awards at Fiscal Year-End

The following table sets forth information concerning stock options held by the named executive officers at November 30, 2017:

Name	Grant Date	Number of Securities Underlying Unexercised Options (#) Exercisable	Option Exercise Price (\$)	Option Expiration Date
David Portnoy	August 31, 2011	100,000	\$ 2.90	August 31, 2021
	December 1, 2011	200,000	\$ 1.72	December 1, 2021
	April 15, 2016	70,270	\$ 3.14	April 15, 2026
Mark Portnoy	August 31, 2011	100,000	\$ 2.90	August 31, 2021
	December 1, 2011	200,000	\$ 1.72	December 1, 2021
	April 15, 2016	59,459	\$ 3.14	April 15, 2026
Jill Taymans	June 2, 2016 (1)	7,500	\$ 3.10	June 3, 2026
Oleg Mikulinsky	March 5, 2012 (2)	20,000	\$ 2.05	March 5, 2019
	April 18, 2016 (2)	40,000	\$ 3.20	April 18, 2026

- (1) 1/3 of the options vest one-year from the date of grant, 1/3 of the options vest two-years from the date of grant and 1/3 of the options vest three-years from the date of grant.
- (2) 1/3 of the options vest immediately on the date of grant, 1/3 of the options vest one-year from the date of grant and 1/3 of the options vest two-years from the date of grant.

### Director Compensation

Directors who are employees of the Company receive no compensation for their services as directors or as members of board committees. Effective December 1, 2013, non-employee directors are paid an annual retainer in the amount of \$15,000 and an attendance fee of \$4,000 for each board meeting and \$2,000 for each telephonic quarterly board meetings, and are reimbursed for their reasonable expenses incurred in attending the meeting. The fee for participation in a board or committee meeting held by telephone conference call and lasting at least thirty minutes is \$1,000. Each non-employee director receives an annual stock option grant in the amount of 7,500 shares on the date of the annual stockholders meeting in each year. Newly elected non-employee directors receive a stock option grant of 20,000 shares per person. All of such stock options have an exercise equal to the fair market value of the common stock on the date of grant.

The table below summarizes the compensation paid by the Company to its non-employee directors for the fiscal year ended November 30, 2017:

Name	Fees Earned or		Total (\$)
	Paid in Cash (\$)	Option Awards (\$)(1)	
Harold Berger	\$ 26,750	\$17,697	\$44,447
George Gaines	\$ 26,750	\$17,697	\$44,447
Jonathan Wheeler	\$ 26,750	\$17,697	\$44,447

- (1) Represents the dollar amount recognized for financial reporting purposes in fiscal 2017 with respect to stock options. The fair value was estimated using the Black-Scholes option-pricing model. The amount reported has been adjusted to eliminate service-based forfeiture assumptions used for financial reporting purposes. See Note 11, Stockholders' Equity, to our consolidated financial statements for a discussion of our accounting for stock options and the assumptions used.

[Table of Contents](#)

**ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS**

The following table sets forth certain information regarding beneficial ownership of our common stock as of February 14, 2018 by (i) each person who is known by the Company to own beneficially more than 5% of the outstanding shares of our common stock, (ii) each director and director nominee of the Company, (iii) each executive officer of the Company, and (iv) all current directors and executive officers of the Company as a group. Except as otherwise indicated below, each of the stockholders named in the table has sole voting and investment power with respect to their shares of common stock, except to the extent authority is shared by spouses under applicable law.

Name and Address of Beneficial Owner (1)	Number of Shares Beneficially Owned (2)	Percent of Class (1)
<b>Current directors and executive officers:</b>		
David Portnoy (3)	1,464,188	19.65%
Mark Portnoy (4)	970,799	13.04%
George Gaines (5)	1,113,125	15.53%
Harold Berger (6)	69,255	*
Jonathan Wheeler (7)	98,125	*
Jill Taymans (8)	47,896	*
Oleg Mikulinsky (9)	66,667	*
<b>Other beneficial owners:</b>		
Mary J. Nyberg, as trustee of CDMJ Nyberg Family Trust, U/A/D June 9, 2005 (10)	600,000	8.44%
IsZo Capital L.P (11)	396,169	5.58%
All current directors and executive officers as a group (7 persons) (12)	3,830,055	47.70%

\* Less than 1%.

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## Table of Contents

- (1) Pursuant to applicable SEC rules, the percentage of voting stock for each stockholder is calculated by dividing (i) the number of shares deemed to be beneficially held by such stockholders as February 14, 2018 by (ii) the sum of (a) 7,105,191 which is the number of shares of common stock outstanding as February 14, 2018 plus (b) the number of shares issuable upon exercise of options (which are shares that are not voting until exercised) held by such stockholder which were exercisable as of February 14, 2018 or will become exercisable within 60 days of that date. Unless otherwise indicated, the address of each director and executive officer in the table is 700 Brooker Creek Boulevard, Suite 1800, Oldsmar, Florida 34677.
- (2) In accordance with Rule 13d-3 under the Securities Exchange Act of 1934, a person is deemed to be the beneficial owner for purposes of this table, of any shares of Common Stock if he or she has shared voting or investment power with respect to such security, or has a right to acquire beneficial ownership at any time within 60 days from February 14, 2018. As used herein, “voting power” is the power to vote or direct the voting of shares, and “investment power” is the power to dispose or direct the disposition of shares. The shares set forth above for directors and executive officers include all shares held directly, as well as by spouses and minor children, in trust and other indirect ownership, over which shares the named individuals effectively exercise sole or shared voting and investment power.
- (3) Includes 49,150 shares of Common Stock held directly through a 401(k) plan account, 199,080 shares of Common Stock held directly through IRA accounts of David Portnoy, 23,524 shares that he owns individually of record, 463,008 shares he owns individually, 151,224 shares of Common Stock held by Partner-Community, Inc., as to which David Portnoy may be deemed the beneficial owner as Chairman of the Board and Secretary, 55,219 shares of Common Stock held by uTIPu, as to which David Portnoy may be deemed the beneficial owner as Chairman of the Board, 78,176 shares of Common Stock held by Mayim Investment Limited Partnership, as to which David Portnoy may be deemed the beneficial owner as the managing member and owner of Mayim Management, LLC, which is the general partner of Mayim Management Limited Partnership, which is the general partner of Mayim Investment Limited Partnership; 78,864 shares of Common Stock held by spouse, 9,974 shares held by David Portnoy as custodian for his minor son; and 9,122 shares held by David Portnoy as custodian for his minor daughter. Includes 346,847 shares subject to stock options.
- (4) Includes 18,055 shares of Common Stock held directly through a 401(k)-plan account, 521,576 shares that he owns individually and 91,529 shares of common stock held by Capital Asset Fund #1 Limited Partnership, as to which Mark Portnoy may be deemed beneficial owner as its general partner. Also, includes 339,639 shares subject to stock options.
- (5) Includes 63,125 shares subject to stock options.
- (6) Includes 63,125 shares subject to stock options.
- (7) Includes 63,125 shares subject to stock options.

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## Table of Contents

- (8) Includes 2,500 shares subject to stock options.
- (9) Includes 46,667 shares subject to stock options.
- (10) A group consisting of Mary J. Nyberg, asco-trustee of CDMJ Nyberg Family Trust, U/A/D June 9, 2005 filed a Schedule 13G/A on January 17, 2018 (“the Schedule 13G”) reporting the following beneficial ownership: (i) 600,000 shares of common stock held by CDMJ Nyberg Family Trust U/A/D June 9, 2005, as to which Mrs. Nyberg has the sole power to vote and dispose or direct the disposition. Beneficial ownership information is supplied per the Schedule 13G. The address for the CDMJ Nyberg Family Trust is 4555 E. Mayo Blvd., Phoenix, AZ 85050.
- (11) A group consisting of IsZo Capital L.P (the “Fund”), IsZo Capital GP LLC (“IsZo GP”), IsZo Capital Management LP (“ICM”) and Brian Sheehy filed a Schedule 13G on February 14, 2018 reporting the following beneficial ownership: (i) 396,169 shares of common stock held by the Fund as to which IsZo GP, ICM and Brian Sheehy have the power to vote and dispose or direct the disposition. Beneficial ownership information is supplied per the Schedule 13G. The address for the Fund is 415 Madison Avenue, 15<sup>th</sup> Floor, New York, New York 10017.
- (12) Includes 925,028 shares subject to stock options.

### **ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE**

David Portnoy, the Company’s Chairman and Co-Chief Executive officer, is the brother of the Company’s Co-Chief Executive Officer, Mark Portnoy. The Company’s Audit Committee Chairman, Harold Berger, provides accounting services to the Company’s Co-Chief Executive Officer Mark Portnoy and to PartnerCommunity, Inc. The Company’s Chairman and Co-Chief Executive Officer, David Portnoy, serves as the Chairman of the Board of PartnerCommunity, Inc.

#### **Approval of Related Party Transactions**

Historically, the Company followed a policy of review and approval of transactions with directors, executive officers and their affiliates by the board of directors, with interested members of the board of directors abstaining from voting on approval of the transactions. Under this policy, the board of directors would approve such transactions only if they were found to be on terms no less favorable to the Company than would be available from third parties in arms-length transactions. The Board of Directors has a policy that the Company will not enter into any transaction or commercial relationship with any director, director nominee, executive officer or greater than 5% stockholder of the Company.

### **ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES**

## Table of Contents

The following table presents fees for professional audit services rendered by Porter Keadle Moore, LLC (“PKM”) for the audit of the Company’s financial statements for the fiscal years ended November 30, 2017 and November 30, 2016 and fees billed for other services rendered by PKM during these periods.

	<u>2017</u>	<u>2016</u>
Audit Fees	\$209,521	\$217,391
Audit Related Fees	—	39,000
Tax Fees	56,954	—
Other	—	—
Total	<u>\$266,475</u>	<u>\$256,391</u>

### **Audit Fees**

Audit fees consisted of the aggregate fees billed by our principal accountants for professional services rendered for the audit of the Company’s annual financial statements set forth in the Company’s Annual Report on Form 10-K for the fiscal years ended November 30, 2017 and November 30, 2016 as well as assistance with and review of documents filed with the SEC.

### **Audit Related Fees**

Audit related fees consisted of the aggregate fees billed by our principal accounts for professional services rendered for audit related services rendered for the fiscal years ended November 30, 2017 and November 30, 2016.

### **Tax Fees**

Tax fees consisted of the aggregate fees billed by our principal accountants for professional services rendered for tax compliance, tax advice and tax planning for the fiscal years ended November 30, 2017 and November 30, 2016.

### **Other Fees**

The Company did not incur other fees by our principal accountants for the fiscal years ended November 30, 2017 and November 30, 2016.

The policy of the Company’s audit committee is to review and pre-approve both audit and non-audit services to be provided by the independent auditors (other than with *de minimis* exceptions permitted by the Sarbanes-Oxley Act of 2002). This duty may be delegated to one or more designated members of the audit committee with any such approval reported to the committee at its next regularly scheduled meeting. All of the fees described above under the captions “Audit-Related Fees”, “Tax Fees” and “Other Fees” and paid to PKM and Grant Thornton were pre-approved by the audit committee.

No services in connection with appraisal or valuation services, fairness opinions or contribution-in-kind reports were rendered by PKM. Furthermore, no work of with respect to its services rendered to the Company was performed by anyone other than PKM.

## Table of Contents

### Part IV

#### **ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.**

<u>Exhibit No.</u>	<u>Description</u>
3.1 (1)	<a href="#"><u>Amended and Restated Certificate of Incorporation</u></a>
3.2 (2)	<a href="#"><u>Amended and Restated By-Laws</u></a>
10.6 (3)	<a href="#"><u>Secondary Storage Agreement with Safti-Cell, Inc. dated October 1, 2001</u></a>
10.7 (3)	<a href="#"><u>Addendum Agreement dated November 2001 to Secondary Storage Agreement with Safti-Cell, Inc.</u></a>
10.9 (4)	<a href="#"><u>Lease Agreement dated April 15, 2004 between Brooker Creek North, LLP and the Company</u></a>
10.10 (5)	<a href="#"><u>Employment Agreement with Mercedes Walton, dated August 15, 2005</u></a>
10.11 (6)	<a href="#"><u>Employment Agreement with Jill M. Taymans dated November 1, 2005.</u></a>
10.12 (6)	<a href="#"><u>Forms of Stock Option Agreements under 2000 Stock Incentive Plan.</u></a>
10.13 (7)	<a href="#"><u>First Lease Amendment by and between the Company and Brooker Creek North I, LLP, dated June 7, 2006.</u></a>
10.14 (8)	<a href="#"><u>2006 Stock Incentive Plan</u></a>
10.15 (9)	<a href="#"><u>Employment Agreement dated April 1, 2007 between the Company and Julie Allickson</u></a>
10.16 (10)	<a href="#"><u>Agreement dated June 4, 2007 by and among the Company and Andrew J. Filipowski, the Andrew J. Filipowski Revocable Trust and Matthew G. Roszak</u></a>
10.17 (11)	<a href="#"><u>Agreement dated January 24, 2008 by and among the Company and Andrew J. Filipowski, the Andrew J. Filipowski Revocable Trust, Matthew G. Roszak and SilkRoad Equity LLC</u></a>
10.18 (11)	<a href="#"><u>Agreement dated January 24, 2008 by and among the Company and Ki Yong Choi and the UAD 7/21/01 FBO Choi Family Living Trust</u></a>
10.20 (12)	<a href="#"><u>Amendment dated July 16, 2007, amending Employment Agreement with Mercedes Walton, dated August 15, 2005</u></a>
10.21 (13)	<a href="#"><u>Amendment dated July 18, 2008, amending Employment Agreement with Mercedes Walton, dated August 15, 2005</u></a>
10.22 (13)	<a href="#"><u>Amendment dated July 18, 2008, amending Employment Agreement with Jill M. Taymans, dated November 1, 2005</u></a>
10.23 (14)	<a href="#"><u>2000 Stock Incentive Plan</u></a>
10.24 (14)	<a href="#"><u>Amendment to 2000 Stock Incentive Plan dated April 6, 2004</u></a>
10.25 (14)	<a href="#"><u>Amendment to 2000 Stock Incentive Plan dated August 14, 2008</u></a>
10.26 (12)	<a href="#"><u>Stipulation and Order of Court of Chancery of the State of Delaware dated June 18, 2008</u></a>
10.27 (15)	<a href="#"><u>Employment Agreement with David Portnoy dated December 1, 2011</u></a>
10.28 (15)	<a href="#"><u>Employment Agreement with Mark Portnoy dated December 1, 2011</u></a>
10.29 (16)	<a href="#"><u>Amendment dated, February 13, 2012, amending Employment Agreement with David Portnoy</u></a>
10.30 (16)	<a href="#"><u>Amendment dated, February 13, 2012, amending Employment Agreement with Mark Portnoy</u></a>
10.31 (17)	<a href="#"><u>Employment Agreement with Oleg Mikulinsky dated March 5, 2012</u></a>
10.32 (18)	<a href="#"><u>Amendment dated May 1, 2013, amending Employment Agreement with Oleg Mikulinsky dated March 5, 2012</u></a>
10.33 (19)	<a href="#"><u>Employment Agreement with David Portnoy dated December 1, 2013</u></a>
10.34 (19)	<a href="#"><u>Employment Agreement with Mark Portnoy dated December 1, 2013</u></a>
10.35 (20)	<a href="#"><u>Employment Agreement with Linda Kelley dated June 18, 2012</u></a>
10.36 (20)	<a href="#"><u>Amendment dated October 29, 2013, amending Employment Agreement with Linda Kelley dated June 18, 2012</u></a>
10.37 (21)	<a href="#"><u>Certificate of Designation of Series A Junior Participating Preferred Stock of Cryo-Cell International, Inc.</u></a>
10.38 (22)	<a href="#"><u>Asset Purchase Agreement by and between Cytomedical Design Group LLC and Cryo-Cell International, Inc. dated June 15, 2015</u></a>
10.39 (21)	<a href="#"><u>Rights Agreement dated December 5, 2014</u></a>
10.40 (23)	<a href="#"><u>Amendment No. 1 to Asset Purchase Agreement dated June 30, 2015</u></a>
10.41 (24)	<a href="#"><u>Third Lease Amendment by and between the Company and EJB Brooker Creek, LLC., dated January 12, 2016.</u></a>
10.42 (25)	<a href="#"><u>Amended and Restated Employment Agreement with David Portnoy dated December 1, 2015</u></a>
10.43 (25)	<a href="#"><u>Amended and Restated Employment Agreement with Mark Portnoy dated December 1, 2015</u></a>
10.44 (26)	<a href="#"><u>Amendment Agreement with Oleg Mikulinsky dated December 1, 2015.</u></a>
10.45 (27)	<a href="#"><u>Stock Purchase Agreement dated June 16, 2016.</u></a>
10.46 (28)	<a href="#"><u>2012 Equity Incentive Plan.</u></a>
24	<a href="#"><u>Power of Attorney (included on signature page)</u></a>
31.1	<a href="#"><u>Certification of Co-CEO Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u></a>
31.2	<a href="#"><u>Certification of Co-CEO Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u></a>
31.3	<a href="#"><u>Certification of Co-CEO Pursuant to Section 302 of the Sarbanes Oxley Act of 2002</u></a>
32.1	<a href="#"><u>Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u></a>
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document





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## Table of Contents

101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
(1)	Incorporated by reference to the Company's Quarterly Report on Form10-QSB for the quarter ended May 31, 2002.
(2)	Incorporated by reference to the Company's Current Report on Form8-K filed on May 26, 2016.
(3)	Incorporated by reference to the Company's Annual Report on Form10-KSB for the year ended November 30, 2002.
(4)	Incorporated by reference to the Company's Quarterly Report on Form10-QSB for the quarter ended May 31, 2004.
(5)	Incorporated by reference to the Company's Quarterly Report on Form10-QSB filed for the quarter ended August 31, 2005.
(6)	Incorporated by reference to the Company's Annual Report on Form10-KSB for the year ended November 30, 2005.
(7)	Incorporated to the Company's Quarterly Report on Form 10-QSB for the quarter ended May 31, 2006.
(8)	Incorporated by reference to Annex B to the Definitive Proxy Statement filed June 1, 2006.
(9)	Incorporated by reference to the Company's Quarterly Report on Form10-Q for the quarter ended May 31, 2007.
(10)	Incorporated by reference to the Company's Current Report on Form8-K filed on June 8, 2007.
(11)	Incorporated by reference to the Company's Current Report on Form8-K filed on January 25, 2008.
(12)	Incorporated by reference to the Company's Quarterly Report on Form10-Q for the quarter ended May 31, 2008.
(13)	Incorporated by reference to the Company's Quarterly Report on Form10-Q for the quarter ended August 31, 2008.
(14)	Incorporated by reference to the Company's Annual Report on Form10-KSB for the year ended November 30, 2008.
(15)	Incorporated by reference to the Company's Current Report on Form8-K filed on December 7, 2011.
(16)	Incorporated by reference to the Company's Current Report on Form8-K filed on February 17, 2012.
(17)	Incorporated by reference to the Company's Current Report on Form8-K filed on March 9, 2012
(18)	Incorporated by reference to the Company's Quarterly Report on Form10-Q for the quarter ended May 31, 2013.
(19)	Incorporated by reference to the Company's Current Report on Form8-K filed on February 27, 2014.
(20)	Incorporated by reference to the Company's Annual Report on Form10-K for the year ended November 30, 2013.
(21)	Incorporated by reference to the Company's Current Report on Form8-K filed on December 3, 2014.
(22)	Incorporated by reference to the Company's Current Report on Form8-K filed on June 19, 2015
(23)	Incorporated by reference to the Company's Current Report on Form8-K filed on July 16, 2015
(24)	Incorporated by reference to the Company's Annual Report on Form10-K for the year ended November 30, 2015
(25)	Incorporated by reference to the Company's Current Report on Form8-K filed on April 19, 2016.
(26)	Incorporated by reference to the Company's Current Report on Form8-K filed on April 20, 2016.
(27)	Incorporated by reference to the Company's Current Report on Form8-K filed on June 24, 2016.
(28)	Incorporated by reference to Appendix B to the proxy statement for the Annual Meeting of Stockholders of the Company (Commission FilNo. 000-23386), filed by the Company under the Exchange Act with the Commission on June 21, 2012.

## **ITEM 16. FORM 10-K SUMMARY**

Not applicable.

**SIGNATURES**

In accordance with Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this Form 10-K to be signed on its behalf by the undersigned thereunto duly authorized.

CRYO-CELL INTERNATIONAL, INC.

By: /s/ David Portnoy  
David Portnoy, Co-Chief Executive Officer

Dated: February 28, 2018

**POWER OF ATTORNEY**

Each of the undersigned officers and directors of Cryo-Cell International, Inc., hereby constitutes and appoints David Portnoy, Mark Portnoy and Jill Taymans, each their true and lawful attorneys-in-fact and agents, for them and in their name, place and stead, in any and all capacities, to sign their names to any and all amendments to this Report on Form 10-K, and other related documents, and to cause the same to be filed with the Securities and Exchange Commission, granting unto said attorneys, full power and authority to do and perform any act and thing necessary and proper to be done in the premises, as fully to all intents and purposes as the undersigned could do if personally present, and the undersigned for himself or herself hereby ratifies and confirms all that said attorney shall lawfully do or cause to be done by virtue hereof.

In accordance with the Securities Exchange Act of 1934, this report has been signed below by the following persons in the capacities indicated:

<u>SIGNATURE</u>	<u>TITLE</u>	<u>DATE</u>
<u>/s/ David Portnoy</u> David Portnoy	Chairman of the Board and Co-Chief Executive Officer (principal executive officer)	February 28, 2018
<u>/s/ Mark Portnoy</u> Mark Portnoy	Co-Chief Executive Officer	February 28, 2018
<u>/s/ Jill Taymans</u> Jill Taymans	Chief Financial Officer (principal financial and accounting officer)	February 28, 2018
<u>/s/ Harold Berger</u> Harold Berger	Director	February 28, 2018
<u>/s/ George Gaines</u> George Gaines	Director	February 28, 2018
<u>/s/ Jonathan Wheeler</u> Jonathan Wheeler	Director	February 28, 2018

## CERTIFICATION OF CO-CHIEF EXECUTIVE OFFICER

I, David Portnoy, certify that:

1. I have reviewed this annual report on Form 10-K 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 consolidated 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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 annual 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: February 28, 2018

/s/ David Portnoy

David Portnoy

## CERTIFICATION OF CO-CHIEF EXECUTIVE OFFICER

I, Mark Portnoy, certify that:

1. I have reviewed this annual report on Form 10-K 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 consolidated 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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 annual 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: February 28, 2018

/s/ Mark Portnoy

Mark Portnoy

## CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Jill M. Taymans, certify that:

1. I have reviewed this annual report on Form 10-K 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 consolidated 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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 annual 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: February 28, 2018

/s/ Jill M. Taymans

Jill M. Taymans

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

In connection with the Annual Report of Cryo-Cell International, Inc. (the "Company") on Form10-K for the year ended November 30, 2017 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David Portnoy, Co-Chief Executive Officer of the Company, I, Mark Portnoy, Co-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/ David Portnoy

David Portnoy  
Co-Chief Executive Officer

February 28, 2018

/s/ Mark Portnoy

Mark Portnoy  
Co-Chief Executive Officer

February 28, 2018

/s/ Jill M. Taymans

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

February 28, 2018