

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended August 31, 2024

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

For the transition period from _____ to

Commission File Number 001-40767

CRYO-CELL INTERNATIONAL, INC.
(Exact name of Registrant as Specified in its Charter)

DELAWARE
(State or other Jurisdiction of
Incorporation or Organization)

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

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

(813) 749-2100

(Issuer's phone number, including area code)

(Former name, former address and former fiscal year, if changed since last report).

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$0.01 par value	CCEL	NYSE American LLC

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definition of "large accelerated filer," "accelerated filer," "small reporting company" and "emerging growth 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 checked="" type="checkbox"/>	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 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act)

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. As of October 15, 2024, 8,062,159 shares of \$0.01 par value common stock were outstanding.

CRYO-CELL INTERNATIONAL, INC. AND SUBSIDIARIES

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

	(Unaudited) August 31, 2024	November 30, 2023
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 197,437	\$ 406,067
Marketable securities	1,929,458	574,183
Accounts receivable (net of allowance for doubtful accounts of \$4,172,151 and \$3,822,300, respectively)	6,873,641	6,576,240
Prepaid expenses	512,509	615,407
Inventory, current portion	731,360	768,877
Swap contract	—	122,113
Other current assets	416,479	389,950
Total current assets	10,660,884	9,452,837
Property and Equipment-net		
	22,117,945	20,996,883
Other Assets		
Investment - Tianhe stock	—	308,000
Intangible assets, net	938,221	989,121
Inventory, net of current portion	5,088,427	5,260,119
Goodwill	1,941,411	1,941,411
Deferred tax assets	20,492,749	20,492,749
Operating lease right-of-use asset	896,790	1,033,157
Deposits and other assets, net	798,046	746,493
Total other assets	30,155,644	30,771,050
Total assets	\$ 62,934,473	\$ 61,220,770
LIABILITIES AND STOCKHOLDERS' (DEFICIT) EQUITY		
Current Liabilities		
Accounts payable	\$ 2,000,551	\$ 3,174,584
Accrued expenses	2,680,573	5,170,809
Note payable	174,587	165,641
Line of credit	2,222,728	1,222,728
Current portion of operating lease liability	383,891	225,686
Duke license agreement liability	133,333	1,200,000
Deferred revenue	9,826,910	9,704,553
Total current liabilities	17,422,573	20,864,001
Other Liabilities		
Deferred revenue, net of current portion	45,198,139	41,186,800
Contingent consideration	48,055	44,226
Note payable, net of current portion and debt issuance costs	8,330,630	8,430,037
Operating lease long-term liability	619,032	851,938
Long-term liability - revenue sharing agreements	875,000	875,000
Total other liabilities	55,070,856	51,388,001
Total liabilities	72,493,429	72,252,002
Commitments and contingencies (Note 9)	—	—
Stockholders' Deficit		
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; 14,849,619 issued and 8,062,159 outstanding as of August 31, 2024 and 14,849,246 issued and 8,286,785 outstanding as of November 30, 2023)	148,496	148,492
Additional paid-in capital	44,043,576	43,411,143
Treasury stock, at cost	(24,855,556)	(23,431,685)
Accumulated deficit	(28,895,472)	(31,159,182)
Total stockholders' deficit	(9,558,956)	(11,031,232)
Total liabilities and stockholders' deficit	\$ 62,934,473	\$ 61,220,770

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

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

	For the Three Months Ended		For the Nine Months Ended	
	August 31,	August 31,	August 31,	August 31,
	2024	2023	2024	2023
Revenue:				
Processing and storage fees	\$ 7,945,470	\$ 7,862,949	\$ 23,716,492	\$ 23,006,164
Public banking revenue	120,609	4,383	205,799	398,896
Product revenue	636	2,543	39,470	61,920
Total revenue	8,066,715	7,869,875	23,961,761	23,466,980
Costs and Expenses:				
Cost of sales	2,125,846	2,156,187	6,311,064	6,366,737
Selling, general and administrative expenses	4,149,785	3,804,564	12,510,787	11,722,435
Impairment of investment - Tianhe stock	—	—	308,000	—
Change in fair value of contingent consideration	12,702	122,671	3,829	(65,154)
Research, development and related engineering	193,933	344,132	937,907	727,648
Depreciation and amortization	194,559	281,277	287,543	843,201
Total costs and expenses	6,676,825	6,708,831	20,359,130	19,594,867
Operating Income	1,389,890	1,161,044	3,602,631	3,872,113
Other Income (Expense):				
Gains on marketable securities	522,458	93,386	1,056,052	100,082
Gain on interest rate swap	—	282,731	105,887	58,757
Other income	981	102	1,181	3,436
Interest expense	(533,464)	(469,642)	(1,119,196)	(1,405,825)
Total other income (expense)	(10,025)	(93,423)	43,924	(1,243,550)
Income before income tax expense	1,379,865	1,067,621	3,646,555	2,628,563
Income tax expense	(328,186)	(387,060)	(1,382,845)	(960,214)
Net income	\$ 1,051,679	\$ 680,561	\$ 2,263,710	\$ 1,668,349
Net income per common share - basic	\$ 0.13	\$ 0.08	\$ 0.28	\$ 0.20
Weighted average common shares outstanding - basic	8,061,946	8,286,555	8,151,967	8,358,792
Net income per common share - diluted	\$ 0.13	\$ 0.08	\$ 0.27	\$ 0.20
Weighted average common shares outstanding - diluted	8,173,535	8,342,067	8,241,488	8,374,939

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

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

	For the Nine Months Ended	
	August 31, 2024	August 31, 2023
Cash flows from operating activities:		
Net income	\$ 2,263,710	\$ 1,668,349
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization expense	444,850	1,063,771
Impairment of investment - Tianhe stock	308,000	—
Change in fair value of contingent consideration	3,829	(65,154)
Gains on marketable securities	(1,056,052)	(100,082)
Unrealized gain on interest rate swap contract	(105,887)	(58,757)
Compensatory element of stock options	631,435	641,690
Provision for doubtful accounts	918,488	717,052
Amortization of debt issuance costs	15,967	16,259
Amortization of operating lease right-of-use asset	237,299	236,730
Changes in assets and liabilities:		
Accounts receivable	(1,215,889)	(1,110,755)
Prepaid expenses	102,898	(152,450)
Inventory	209,209	227,428
Other current assets	(26,529)	(23,738)
Deposits and other assets, net	(51,553)	(79,574)
Accounts payable	(293,685)	550,266
Accrued expenses	(2,490,236)	(1,814,218)
Operating lease liability	(175,633)	(217,671)
Deferred revenue	4,133,696	4,076,294
Net cash from operating activities	3,853,917	5,575,440
Cash flows from investing activities:		
Purchases of property and equipment	(2,395,360)	(5,124,056)
Payment of Duke license agreement	(1,066,667)	(533,333)
Proceeds from liquidation of marketable securities	101,873	179,306
Purchases of marketable securities	(1,759,828)	(1,082,924)
Sale of marketable securities	1,358,732	397,831
Net cash used in investing activities	(3,761,250)	(6,163,176)
Cash flows used in financing activities:		
Treasury stock purchases	(1,423,871)	(799,036)
Repayments of note payable	(106,428)	(115,690)
Repayment of line of credit	(2,200,000)	(500,000)
Proceeds from the exercise of stock options	1,002	—
Proceeds from line of credit	3,200,000	950,000
Proceeds from Swap termination	228,000	—
Payment of Cord:Use earnout	—	(67,500)
Net cash used in financing activities	(301,297)	(532,226)
Increase (decrease) in cash and cash equivalents	(208,630)	(1,119,962)
Cash and cash equivalents - beginning of period	406,067	1,703,958
Cash and cash equivalents - end of period	<u>\$ 197,437</u>	<u>\$ 583,996</u>
Supplemental non-cash operating activities:		
Lease liability arising from right-of-use asset	\$ 100,932	\$ 737,867
Supplemental investing activities:		
Construction costs payable	\$ (880,348)	\$ 363,225
Duke license agreement payable	\$ —	\$ 266,667
Supplemental cash flow information:		
Cash paid during the year for:		
Interest	\$ 1,482,909	\$ 1,363,934
Income taxes	\$ 2,385,096	\$ 1,504,647

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

CRYO-CELL INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT
(Unaudited)

	For the Three Months Ended August 31, 2024						
	Common Stock		Additional Paid-In Capital	Treasury Stock	Accumulated Deficit	Total Stockholders' Deficit	
	Shares	Amount					
Balance at May 31, 2024	14,849,246	\$ 148,492	\$ 43,896,637	\$ (24,839,156)	\$ (29,947,151)	\$ (10,741,178)	
Exercise of stock options	373	4	998			1,002	
Compensatory element of stock options			145,941			\$ 145,941	
Treasury stock				(16,400)		(16,400)	
Net income					1,051,679	\$ 1,051,679	
Balance at August 31, 2024	<u>14,849,619</u>	<u>\$ 148,496</u>	<u>\$ 44,043,576</u>	<u>\$ (24,855,556)</u>	<u>\$ (28,895,472)</u>	<u>\$ (9,558,956)</u>	

	For the Nine Months Ended August 31, 2024						
	Common Stock		Additional Paid-In Capital	Treasury Stock	Accumulated Deficit	Total Stockholders' Deficit	
	Shares	Amount					
Balance at November 30, 2023	14,849,246	\$ 148,492	\$ 43,411,143	\$ (23,431,685)	\$ (31,159,182)	\$ (11,031,232)	
Exercise of stock options	373	4	998			1,002	
Compensatory element of stock options			631,435			631,435	
Treasury stock				(1,423,871)		(1,423,871)	
Net income					2,263,710	2,263,710	
Balance at August 31, 2024	<u>14,849,619</u>	<u>\$ 148,496</u>	<u>\$ 44,043,576</u>	<u>\$ (24,855,556)</u>	<u>\$ (28,895,472)</u>	<u>\$ (9,558,956)</u>	

	For the Three Months Ended August 31, 2023						
	Common Stock		Additional Paid-In Capital	Treasury Stock	Accumulated Deficit	Total Stockholders' Deficit	
	Shares	Amount					
Balance at May 31, 2023	14,848,001	\$ 148,480	\$ 43,066,971	\$ (23,424,101)	\$ (20,649,725)	\$ (858,375)	
Exercise of stock options	1,245	12	(2,876)			(2,864)	
Compensatory element of stock options			172,099			172,099	
Treasury stock				(7,584)		(7,584)	
Net income					680,561	680,561	
Balance at August 31, 2023	<u>14,849,246</u>	<u>\$ 148,492</u>	<u>\$ 43,236,194</u>	<u>\$ (23,431,685)</u>	<u>\$ (19,969,164)</u>	<u>\$ (16,163)</u>	

	For the Nine Months Ended August 31, 2023						
	Common Stock		Additional Paid-In Capital	Treasury Stock	Accumulated Deficit	Total Stockholders' Deficit	
	Shares	Amount					
Balance at November 30, 2022	14,848,001	\$ 148,480	\$ 42,597,380	\$ (22,632,649)	\$ (21,637,513)	\$ (1,524,302)	
Exercise of stock options	1,245	12	(2,876)			(2,864)	
Compensatory element of stock options			641,690			641,690	
Treasury stock				(799,036)		(799,036)	
Net income					1,668,349	1,668,349	
Balance at August 31, 2023	<u>14,849,246</u>	<u>\$ 148,492</u>	<u>\$ 43,236,194</u>	<u>\$ (23,431,685)</u>	<u>\$ (19,969,164)</u>	<u>\$ (16,163)</u>	

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

CRYO-CELL INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
August 31, 2024
(Unaudited)

ote 1 - Description of Business, Basis of Presentation and Significant Accounting Policies

Cryo-Cell International, Inc. (“the Company” or “Cryo-Cell”) was incorporated in Delaware on September 11, 1989 and is headquartered in Oldsmar, Florida. The Company is organized in three reportable segments: (1) cellular processing and cryogenic cellular storage, with a current focus on the collection and preservation of umbilical cord blood stem cells for family use (2) the manufacture of PrepaCyte CB units, the processing technology used to process umbilical cord blood stem cells and (3) cryogenic storage of umbilical cord blood stem cells for public use. Revenues 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 for the manufacture of PrepaCyte CB units represent sales of the PrepaCyte CB units to customers. Revenue for the cryogenic storage of umbilical cord blood stem cells for public use, stored at Duke University (see below), is generated from the sale of the cord blood units to the National Marrow Donor Program (“NMDP”), which distributes the cord blood units to transplant centers located in the United States and around the world. 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.

The unaudited consolidated financial statements including the Consolidated Balance Sheets as of August 31, 2024 and November 30, 2023, the related Consolidated Statements of Income for the three and nine months ended August 31, 2024 and 2023, Cash Flows for the nine months ended August 31, 2024 and August 31, 2023 and Stockholders’ Deficit for the three and nine months ended August 31, 2024 and 2023 have been prepared by Cryo-Cell International, Inc. pursuant to the rules and regulations of the Securities and Exchange Commission for interim financial reporting. Certain financial information and note disclosures, which are normally included in annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America, have been condensed or omitted pursuant to those rules and regulations. It is suggested that these consolidated financial statements be read in conjunction with the financial statements and notes thereto included in the Company’s November 30, 2023 Annual Report on Form 10-K. In the opinion of management, all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial position, results of operations, and changes in cash flows for all periods presented have been made. The results of operations for the three and nine months ended August 31, 2024 and 2023 are not necessarily indicative of the results expected for any interim period in the future or the entire year ending November 30, 2024.

On February 22, 2024, the Company formed its wholly owned Delaware subsidiary, Celle Corp. As of August 31, 2024, no shares had been issued to the subsidiary. Celle Corp. was created to hold certain assets of Cryo-Cell not directly associated with the recurring revenue stream from privately banked, umbilical cord blood specimens. The Patent and Technology License Agreement with Duke University and Amendments have been transferred to Celle Corp. and other assets and liabilities may be transferred in the near future.

Revenue Recognition

The Company recognizes revenue in accordance with Accounting Standards Codification (“ASC”) Topic 606, Revenue from Contracts with Customers (“ASC 606”). ASC 606 applies to all contracts with customers, except for contracts that are within the scope of other standards, such as leases, insurance, collaboration arrangements and financial instruments. ASC 606 also impacts certain other areas, such as the accounting for costs to obtain or fulfill a contract. ASC 606 also requires disclosure of the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

Under ASC 606, revenue is recognized when, or as, obligations under the terms of a contract are satisfied, which occurs when control of the promised services are transferred to the customers. Revenue is measured as the amount of consideration the Company expects to receive in exchange for transferring services to a customer (“transaction price”).

At contract inception, if the contract is determined to be within the scope of ASC 606, the Company evaluates its contracts with customers using the five-step model: (1) identify the contract with the customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to separate performance obligations; and (5) recognize revenue when (or as) each performance obligation is satisfied. The Company evaluates its contracts for legal enforceability at contract inception and subsequently throughout the Company’s relationship with its customers. If legal enforceability with regards to the rights and obligations exist for both the Company and the customer, then the Company has an enforceable contract and revenue recognition is permitted subject to the satisfaction of the other criteria. If, at the outset of an arrangement, the Company determines that a contract with enforceable rights and obligations does not exist, revenues are deferred until all criteria for an enforceable contract are met. The

Company only applies the five-step model to contracts when it is probable that collection of the consideration that the Company is entitled to in exchange for the goods or services being transferred to the customer, will occur.

Contract modifications exist when the modification either creates new or changes in the existing enforceable rights and obligations. The Company's contracts are occasionally modified to account for changes in contract terms and conditions, which the Company refers to as an upgrade or downgrade. An upgrade occurs when a customer wants to pay for additional years of storage. A downgrade occurs when a customer originally entered into a long-term contract (such as twenty-one year or lifetime plan) but would like to change the term to a one-year contract. Upgrade modifications qualify for treatment as a separate contract as the additional services are distinct and the increase in contract price reflects the Company's stand-alone selling price for the additional services and will be accounted for on a prospective basis. Downgrade modifications do not qualify for treatment as a separate contract as there is no increase in price over the original contract, thus failing the separate contract criteria. As such, the Company separately considers downgrade modifications to determine if these should be accounted for as a termination of the existing contract and creation of a new contract (prospective method) or as part of the existing contract (cumulative catch-up adjustment). ASC 606 requires that an entity account for the contract modification as if it were a termination of the existing contract, and the creation of a new contract, if the remaining goods or services are distinct from the goods or services transferred on or before the date of the contract modification. As the services after the modification were previously determined to be distinct, the Company concluded that downgrade modifications qualify under this method and will be accounted for on a prospective basis. Although contract modifications do occur, they are infrequent.

Performance Obligations

At contract inception, the Company assesses the goods and services promised in the contracts with customers and identifies a performance obligation for each promise to transfer to the customer a good or service (or bundle of goods or services) that is distinct. The Company then recognizes as revenue the amount of the transaction price that is allocated to the respective performance obligation when (or as) the performance obligation is satisfied. To identify the performance obligations, the Company considers all of the goods or services promised in the contract regardless of whether they are explicitly stated or are implied by customary business practices. The Company determined that the following distinct goods and services represent separate performance obligations involving the sale of its umbilical cord blood product:

- Collection and processing services
- Storage services
- Public cord blood banking
- License and royalties
- Sale of PrepaCyte CB product

a)Collection, Processing and Storage Fees

Processing and storage fees include the Company providing umbilical cord blood and tissue cellular processing and cryogenic cellular storage for private use. 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 who are selling the umbilical cord blood stem cells program to customers outside the United States.

The Company recognizes revenue from processing fees at the point in time of the successful completion of processing and recognizes storage fees over time, which is 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 life-time. The life-time storage plan is based on a life expectancy of 81 years, which is the current estimate by the Center for Disease Control for United States women's life expectancy and concluded that additional data analysis would result in an immaterial difference in revenue. Deferred revenue on the accompanying consolidated balance sheets includes the portion of the annual, the twenty-one-year and the life-time storage fees that are being recognized over the contractual storage period as well as royalties received from foreign licensees relating to long-term storage contracts for 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 from the balance sheet date.

Significant financing component

When determining the transaction price of a contract, an adjustment is made if payment from a customer occurs either significantly before or significantly after performance, resulting in a significant financing component. For all plans being annual,

twenty-one years and lifetime, the storage fee is billed at the beginning of the storage period (prepaid plans). The Company also offers payment plans (including a stated service fee) for customers to pay over time for a period of one to twenty-four plus months. The one-time plan includes the collection kit, processing and testing, return medical courier service and twenty-one 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 customer. The Company concluded that a significant financing component is not present within either the prepaid or overtime payment plans. The Company has determined that the twenty-one year and life-time prepayment options do not include a significant financing component as the payment terms were structured primarily for reasons other than the provision of financing and to maximize profitability.

The Company has determined that the majority of plans that are paid over time are paid in less than a year. When considered over a twenty-four-month payment plan, the difference between the cash selling price and the consideration paid is nominal. As such, the Company believes that its payment plans do not include significant financing components as they are not significant in the aggregate when considered in the context of all contracts entered into nor significant at the individual contract level.

The Company elected to apply the practical expedient where the Company does not need to assess whether a significant financing component exists if the period between when it performs its obligations under the contract and when the customer pays is one year or less.

As of August 31, 2024, the total aggregate transaction price allocated to the unsatisfied performance obligations was recorded as deferred revenue amounting to \$55,025,049, which will be recognized ratably on a straight-line basis over the contractual period of which \$9,826,910, will be recognized over the next twelve months.

Variable consideration

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. Effective June 1, 2017, the Company increased the payment warranty to \$100,000 to all new clients who choose the premium processing method, PrepaCyte CB. The product warranty is available to clients who enroll under this structure for as long as the specimen is stored with the Company. In the processing and storage agreements, the Company provides limited rights which are offered to customers automatically upon contract execution. The Company has determined that the payment warranty represents variable consideration payable to the customer.

Based on the Company's historical experience to date, the Company has determined the payment warranty to be fully constrained under the most likely amount method. Consequently, the transaction price does not currently reflect any expectation of service level credits. At the end of each reporting period, the Company will update the estimated transaction price related to the payment warranty including updating its assessment of whether an estimate of variable consideration is constrained to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

Allocation of transaction price

As the Company's processing and storage agreements contain multiple performance obligations, ASC 606 requires an allocation of the transaction price based on the estimated relative standalone selling prices of the promised services underlying each performance obligation. The Company has selected an adjusted market assessment approach to estimate the stand-alone selling prices of the processing services and storage services and concluded that the published list price is the price that a customer in that market would be willing to pay for those goods or services. The Company also considered the fact that all customers are charged the list prices current at the time of their enrollment where the Company has separately stated list prices for processing and storage.

Costs to Obtain a Contract

The Company capitalizes commissions that are incremental in obtaining customer contracts and the costs incurred to fulfill a customer contract if those costs are not within the scope of another topic within the accounting literature and meet the specified criteria. These costs are deferred in other current or long-term assets and are expensed to selling, general and administrative expenses as the Company satisfies the performance obligations by transferring the service to the customer. These assets will be periodically assessed for impairment. As a practical expedient, the Company elected to recognize the incremental costs of obtaining its annual contracts as an expense when incurred, as the amortization period of the asset recognized would have been one year.

The Company has determined that payments under the Company's refer-a-friend program ("RAF program") are incremental costs of obtaining a contract as they provide an incentive for existing customers to refer new customers to the Company and is referred to as commission. The amount paid under the RAF program (either through issuance of credits to customers or check payments) which exceeds the typical commission payment to a sales representative is recorded as a reduction to revenue under ASC 606. During the three

and nine months ended August 31, 2024, the Company recorded \$9,813 and \$35,306, respectively, in commission payments to customers under the RAF program as a reduction to revenue. During the three and nine months ended August 31, 2023, the Company recorded \$10,061 and \$31,451, respectively, in commission payments to customers under the RAF program as a reduction to revenue. For the three and nine months ended August 31, 2024 the Company capitalized additional contract acquisition costs of \$28,876 and \$90,545, respectively, net of amortization. For the three and nine months ended August 31, 2023, the Company capitalized additional contract acquisition costs of \$30,185 and \$85,133, respectively, net of amortization expense.

b)Public banking revenue

The Company sells and provides units not likely to be of therapeutic use for research to qualified organizations and companies operating under Institutional Review Board approval. Control is transferred at the point in time when the shipment has occurred, at which time, the Company records revenue.

c)Licensee and royalty income

Licensee and royalty income consist of royalty income earned on the processing and storage of cord blood stem cell specimens by an affiliate where the Company has a License and Royalty Agreement. The Company records revenue from processing and storage of specimens and pursuant to agreements with licensees. The Company records the royalty revenue in same period that the related processing and storage is being completed by the affiliate.

d)Product Revenue

The Company records revenue from the sale of the PrepaCyte CB product line upon shipment of the product to the Company's customers.

e)Shipping and handling

The Company elected to apply the practical expedient to account for shipping and handling activities performed after the control of a good has been transferred to the customer as a fulfillment cost. Shipping and handling costs that the Company incurs are therefore expensed and included in cost of sales.

Disaggregation of Revenue

The revenue as reflected in the statements of income is disaggregated by products and services.

The following table provides information about assets and liabilities from contracts with customers:

	August 31, 2024	November 30, 2023
Contract assets (sales commissions)	\$ 757,558	\$ 695,695
Accounts receivable	\$ 6,873,641	\$ 6,576,240
Short-term contract liabilities (deferred revenue)	\$ 9,826,910	\$ 9,704,553
Long-term contract liabilities (deferred revenue)	\$ 45,198,139	\$ 41,186,800

The Company, in general, requires the customer to pay for processing and storage services at the time of processing. Contract assets include deferred contract acquisition costs, which will be amortized along with the associated revenue. Contract liabilities include payments received in advance of performance under the contract and are realized with the associated revenue recognized under the contract. Accounts receivable consists of amounts due from clients that have enrolled and processed in the umbilical cord blood stem cell processing and storage programs related to renewals of annual plans and amounts due from license affiliates, and sublicensee territories. The Company did not have asset impairment charges related to contract assets in the three and nine months ended August 31, 2024.

The following table presents changes in the Company's contract assets and liabilities during the nine months ended August 31, 2024:

	Balance at December 1, 2023	Additions	Deductions	Balance at August 31, 2024
Contract assets (sales commissions)	\$ 695,695	\$ 90,545	\$ (28,682)	\$ 757,558
Accounts receivable	\$ 6,576,240	\$ 31,775,756	\$ (31,478,355)	\$ 6,873,641
Contract liabilities (deferred revenue)	\$ 50,891,353	\$ 16,303,050	\$ (12,169,354)	\$ 55,025,049

The following table presents changes in the Company's contract assets and liabilities during the nine months ended August 31, 2023:

	Balance at December 1, 2022	Additions	Deductions	Balance at August 31, 2023
Contract assets (sales commissions)	\$ 615,628	\$ 85,133	\$ (25,109)	\$ 675,652
Accounts receivable	\$ 6,043,941	\$ 31,533,062	\$ (31,139,359)	\$ 6,437,644
Contract liabilities (deferred revenue)	\$ 45,586,386	\$ 20,676,740	\$ (16,600,446)	\$ 49,662,680

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.

Inventories

As part of the Cord:Use Purchase Agreement, the Company has an agreement with Duke University ("Duke") expiring on January 31, 2025 for Duke to receive, process, and store cord blood units for the Public Cord Blood Bank ("Duke Services"). As of August 31, 2024, the Company had approximately 6,000 cord blood units in inventory. These units are valued at the lower of cost or net realizable value. Costs include the cost of collecting, transporting, processing and storing the unit. Costs charged by Duke for their Duke Services are based on a monthly fixed fee for processing and storing 36 blood units per year. The Company computes the cost per unit for these Duke Services and capitalizes the unit cost on all blood units shipped and stored in a year at Duke. If the Company ships and stores less than 36 blood units with Duke in a one-year period, a portion of these fixed costs are expensed and included in facility operating costs. Certain costs of collection incurred, such as the cost of collection staff and transportation costs incurred to ship Public Bank units from hospitals to the stem cell laboratory are allocated to banked units based on an average cost method. The change in the number of expected units to be sold could have a significant impact on the estimated net realizable value of banked units which could have a material effect on the value of the inventory. Costs incurred related to cord blood units that cannot be sold are expensed in the period incurred and are included in facility operating costs in the accompanying statements of operations. The Company records a reserve against inventory for units which have been processed and frozen but may not ultimately become distributable (see Note 3).

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 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 nine months ended August 31, 2024 and August 31, 2023, the Company had no 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 three and nine months ended August 31, 2024 and 2023.

Goodwill

Goodwill represents the excess of the purchase price of the assets acquired from CordUse over the estimated fair value of the net tangible, intangible and identifiable assets acquired. The annual assessment of the reporting unit is performed as of September 1st, 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. The Company first performs a qualitative assessment to test goodwill for impairment and concludes if it is more likely than not that the fair value of the reporting unit is less than its carrying value. If the qualitative assessment concludes that it is not more likely than not that the fair value is less than the carrying value, the two-step goodwill impairment test is not required. If the qualitative assessment concludes that it is more likely than not that the fair value of the reporting unit is less than the carrying value, then the two-step goodwill impairment test is required. 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.

Leases

At the inception of an arrangement, the Company determines whether the arrangement is or contains a lease based on the unique facts and circumstances present in the arrangement. Leases with a term greater than one year are recognized on the balance sheet as a right-of-use (ROU) assets and as short-term and long-term lease liabilities, as applicable. The Company does not have any financing leases.

Operating lease liabilities and their corresponding right-of-use assets are initially recorded based on the present value of lease payments over the expected remaining lease term. The interest rate implicit in lease contracts is typically not readily determinable. As a result, the Company utilizes its incremental borrowing rate to discount lease payments, which reflects the fixed rate at which the Company believes it could borrow on a collateralized basis the amount of the lease payments in the same currency, for a similar term, in a similar economic environment.

The Company has elected not to recognize leases with an original term of one year or less on the balance sheet. The Company typically only includes an initial lease term in its assessment of a lease arrangement. Options to renew a lease are not included in the Company's assessment unless there is reasonable certainty that the Company will renew.

Stock Compensation

As of August 31, 2024, the Company has three stock-based compensation plans, which are described in Note 7 to the unaudited consolidated financial statements: the 2006 Plan, 2012 Plan and the 2022 Plan. The 2006 and 2012 Plans will remain in effect as long as any awards under it are outstanding; however, no further awards may be granted under either plan. The 2022 Plan became effective April 8, 2022 as approved by the Board of Directors and approved by the stockholders at the 2022 Annual Meeting. The Company recognized \$631,435 and \$641,690 for the nine months ended August 31, 2024 and August 31, 2023 respectively, of stock compensation expense. The Company recognized \$145,941 and \$172,099 for the three months ended August 31, 2024 and August 31, 2023, respectively, of stock option 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.

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 (“RSAs”) 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:

- Level 1 Quoted prices in active markets for identical assets or liabilities.
- Level 2 Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

The following table summarizes the financial assets and liabilities measured at fair value on a recurring basis as of August 31, 2024 and November 30, 2023, respectively, segregated among the appropriate levels within the fair value hierarchy:

Description	Fair Value at	Fair Value Measurements at August 31, 2024 Using		
	August 31, 2024	Level 1	Level 2	Level 3
Assets:				
Marketable securities	\$ 1,929,458	\$ 1,929,458	\$ —	\$ —
Total	\$ 1,929,458	\$ 1,929,458	\$ —	\$ —
Liabilities:				
Contingent consideration	\$ 48,055	\$ —	\$ —	\$ 48,055
Total	\$ 48,055	\$ —	\$ —	\$ 48,055

Contingent Consideration:	
Beginning Balance as of November 30, 2023	\$ 44,226
Fair value adjustment as of August 31, 2024	3,829
Ending balance as of August 31, 2024	<u>\$ 48,055</u>

Description	Fair Value at November 30, 2023	Fair Value Measurements at November 30, 2023 Using		
		Level 1	Level 2	Level 3
Assets:				
Marketable securities	\$ 574,183	\$ 574,183	\$ —	\$ —
Interest rate swap	\$ 122,113	\$ —	\$ 122,113	\$ —
Total	<u>\$ 696,296</u>	<u>\$ 574,183</u>	<u>\$ 122,113</u>	<u>\$ —</u>
Liabilities:				
Contingent consideration	\$ 44,226	\$ —	\$ —	\$ 44,226
Total	<u>\$ 44,226</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 44,226</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:

Marketable securities - Equity securities with readily determinable fair values are measured at fair value with the changes in fair value recognized through net income. There was \$522,458 and \$1,056,052 in unrealized holding gain, respectively, recorded in other income and expense on the accompanying consolidated statements of income for the three and nine months ended August 31, 2024, respectively. There was \$93,386 and \$100,082 in unrealized holding gain, respectively, recorded in other income and expense on the accompanying consolidated statements of income for the three and nine months ended August 31, 2023, respectively.

Interest rate swap - The fair value is based on prevailing market data and derived from proprietary models based on well recognized financial principles and reasonable estimates about relevant future market conditions. As of the three and nine months ended August 31, 2024 there was a \$0 and \$105,887 gain on a derivative recorded on the accompanying consolidated statements of income. As of the three and nine months ended August 31, 2023, there was a \$282,731 and \$58,757 gain on a derivative recorded on the accompanying consolidated statements of income. On April 15, 2024, the Company terminated the interest rate swap agreement and recorded proceeds of \$228,000.

Contingent consideration - The contingent consideration is the earnout that Cord:Use is entitled to from the Company's sale of the Public Cord Blood Inventory from and after closing. The estimated fair value of the contingent earnout was determined using a Monte Carlo analysis examining the frequency and mean value of the resulting earnout payments. The resulting value captures the risk associated with the form of the payout structure. The risk-neutral method is applied, resulting in a value that captures the risk associated with the form of the payout structure and the projection risk. The carrying amount of the liability may fluctuate significantly and actual amounts paid may be materially different from the estimated value of the liability.

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. Effective June 1, 2017, the Company increased the payment warranty to \$100,000 to all new clients who choose the premium processing method, PrepaCyte CB. The product warranty is 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.

As discussed above, the Company has determined that the payment warranty represents variable consideration payable to the customer. In accordance with ASC 606, the Company has concluded the payment warranty be fully constrained under the most likely amount method; therefore, the transaction price does not reflect any expectation of service level credits at August 31, 2024 and November 30, 2023. At the end of each reporting period, the Company shall update the estimated transaction price related to the payment guarantee including updating its assessment of whether an estimate of variable consideration is constrained to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

Recently Issued Accounting Pronouncements

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. ASU 2016-13 provides guidance for estimating credit losses on certain types of financial instruments, including trade receivables, by introducing an approach based on expected losses. The expected loss approach will require entities to incorporate considerations of historical information, current information and reasonable and supportable forecasts. ASU 2016-13 also amends the accounting for credit losses on available-for-sale debt securities and purchased financial assets with credit deterioration. The guidance requires a modified retrospective transition method and early adoption is permitted. In November 2019, FASB issued ASU No. 2019-10, Financial Instruments – Credit Losses, Derivatives and Hedging, and Leases (“ASU 2019-10”), which defers the adoption of ASU 2016-13 for smaller reporting companies until periods beginning after December 15, 2022. The Company adopted ASU 2016-13 as of December 1, 2023 with no material impact to its consolidated financial statements.

Note 2 – Segment Reporting

The Company is organized in three 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”).
3. The cellular processing and cryogenic storage of umbilical cord blood stem cells for public use. Revenue is generated from the sale of the cord blood units to the National Marrow Donor Program (“NMDP”), which distributes the cord blood units to transplant centers located in the United States, and around the world.

The following table shows, by segment: net revenue, cost of sales, depreciation and amortization, operating profit, and interest expense for the three and nine months ended August 31, 2024 and 2023:

	For the three months ended August 31,	
	2024	2023
Net revenue:		
Umbilical cord blood and cord tissue stem cell service	\$ 7,945,470	\$ 7,862,949
PrepaCyte CB	636	2,543
Public cord blood banking	120,609	4,383
Total net revenue	\$ 8,066,715	\$ 7,869,875
Cost of sales:		
Umbilical cord blood and cord tissue stem cell service	\$ 1,859,090	\$ 1,976,278
PrepaCyte CB	1,220	982
Public cord blood banking	265,536	178,927
Total cost of sales	\$ 2,125,846	\$ 2,156,187
Operating profit:		
Umbilical cord blood and cord tissue stem cell service	\$ 1,542,346	\$ 1,341,332
PrepaCyte CB	(7,529)	(5,384)
Public cord blood banking	(144,927)	(174,904)
Total operating profit	\$ 1,389,890	\$ 1,161,044
Depreciation and amortization:		
Umbilical cord blood and cord tissue stem cell service	\$ 187,614	\$ 273,972
PrepaCyte CB	6,945	6,945
Public cord blood banking	—	360
Total depreciation and amortization	\$ 194,559	\$ 281,277
Interest expense:		
Umbilical cord blood and cord tissue stem cell service	\$ 533,464	\$ 469,642
PrepaCyte CB	—	—
Public cord blood banking	—	—
Total interest expense	\$ 533,464	\$ 469,642

	For the nine months ended August 31,	
	2024	2023
Net revenue:		
Umbilical cord blood and cord tissue stem cell service	\$ 23,716,492	\$ 23,006,164
PrepaCyte CB	39,470	61,920
Public cord blood banking	205,799	398,896
Total net revenue	\$ 23,961,761	\$ 23,466,980
Cost of sales:		
Umbilical cord blood and cord tissue stem cell service	\$ 5,574,109	\$ 5,466,410
PrepaCyte CB	37,083	27,432
Public cord blood banking	699,872	872,895
Total cost of sales	\$ 6,311,064	\$ 6,366,737
Operating profit:		
Umbilical cord blood and cord tissue stem cell service	\$ 4,115,571	\$ 4,333,538
PrepaCyte CB	(18,447)	13,654
Public cord blood banking	(494,493)	(475,079)
Total operating profit	\$ 3,602,631	\$ 3,872,113
Depreciation and amortization:		
Umbilical cord blood and cord tissue stem cell service	\$ 266,289	\$ 821,287
PrepaCyte CB	20,834	20,834
Public cord blood banking	420	1,080
Total depreciation and amortization	\$ 287,543	\$ 843,201
Interest expense:		
Umbilical cord blood and cord tissue stem cell service	\$ 1,119,196	\$ 1,405,825
PrepaCyte CB	—	—
Public cord blood banking	—	—
Total interest expense	\$ 1,119,196	\$ 1,405,825

The following table shows the assets by segment as of August 31, 2024 and November 30, 2023:

	As of August 31, 2024	As of November 30, 2023
Assets:		
Umbilical cord blood and cord tissue stem cell service	\$ 57,318,175	\$ 55,471,149
PrepaCyte CB	149,112	148,040
Public cord blood banking	5,467,186	5,601,581
Total assets	\$ 62,934,473	\$ 61,220,770

Note 3 – Inventory

Inventory is comprised of public cord blood banking specimens, 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, finished goods include products purchased or assumed for resale and for the use in the Company's processing and storage service. Inventory in the Public Cord Blood Bank includes finished goods that are specimens that are available for resale. The Company considers Public Cord Blood Inventory in the Public Cord Blood Bank that has not completed all testing to determine viability to be work in process.

The components of inventory at August 31, 2024 and November 30, 2023 are as follows:

	As of August 31, 2024	As of November 30, 2023
Raw materials	\$ —	\$ —
Work-in-process	245,796	341,692
Work-in-process – Public Bank	—	—
Finished goods	92,529	48,045
Finished goods – Public Bank	5,426,307	5,599,238
Collection kits	62,873	47,739
Inventory reserve	(7,718)	(7,718)
Total inventory	\$ 5,819,787	\$ 6,028,996

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.

Intangible assets were as follows as of August 31, 2024 and November 30, 2023:

	Useful lives	August 31, 2024		November 30, 2023	
Patents	10-20 years	\$	697,744	\$	697,744
Less: Intangible asset impairment			(377,810)		(377,810)
Less: Accumulated amortization			(169,152)		(160,434)
License agreement	10 years		474,000		474,000
Less: Intangible asset impairment			(185,000)		(185,000)
Less: Accumulated amortization			(266,193)		(248,607)
Customer relationships – PrepaCyte®CB	15 years		41,000		41,000
Less: Intangible asset impairment			(26,267)		(26,267)
Less: Accumulated amortization			(10,101)		(9,505)
Brand	1 year		31,000		31,000
Less: Accumulated amortization			(31,000)		(31,000)
Customer relationships – Cord:Use	30 years		960,000		960,000
Less: Accumulated amortization			(200,000)		(176,000)
Net Intangible Assets		\$	<u>938,221</u>	\$	<u>989,121</u>

Amortization expense of intangibles was approximately \$17,000 and \$24,000 for the three months ended August 31, 2024 and August 31, 2023, respectively. Amortization expense of intangibles was approximately \$51,000 and \$72,000 for the nine months ended August 31, 2024 and August 31, 2023.

Note 5 – Notes Payable

On July 18, 2022, the Company entered into a Credit Agreement (“Agreement Susser”) with Susser Bank, a Texas state bank, as administrative agent (“Susser”) on behalf of itself and the other lenders (collectively, the “Lenders”) for (i) an unsecured revolving line of credit in an aggregate principal amount of up to \$10,000,000 (the “RCF”); and (ii) a term loan facility in an original principal amount of \$8,960,000 (the “Term Loan Susser” and together with the RCF collectively, the “Loans”). In connection with the RCF the Company entered into a Revolving Credit Line, in favor of Susser, in the stated principal amount of \$10,000,000 (the “RCF Note”), and in connection with the Term Loan the Company entered into a Term Note, in favor of Susser, in the stated principal amount of \$8,960,000 (the “Term Note” and together with RCF Note, collectively, the “Notes”). The Loans bear interest at the Company’s option at: (a) the Base Rate, which is the highest of (i) the rate of interest published by The Wall Street Journal, from time to time, as the “U.S. Prime Rate”, (ii) the federal funds rate plus 0.5% and (iii) the Monthly SOFR rate plus 1.0% (subject in each case to a floor of 5.5%), plus 4.25% or (b) the Monthly SOFR plus 3.25% (subject to a floor of 4.5%). The RCF matures on July 18, 2025 and the Term Note matures on July 18, 2032. As of the three months ended August 31, 2024 and August 31, 2023, the Company paid interest of \$254,758 and \$200,638, respectively, which is reflected in interest expense on the accompanying consolidated statements of income. As of the nine months ended August 31, 2024 and August 31, 2023 the Company paid interest of \$700,560 and \$607,319, respectively, which is reflected in interest expense on the accompanying consolidated statements of income. The interest rates for the RCF and Term Note as of August 31, 2024 were 8.45% and 8.59%, respectively.

The average outstanding balance during the nine months ended August 31, 2024 for the revolving line of credit was \$2,722,728. The average outstanding balance during the twelve months ended November 30, 2023 for the revolving line of credit was \$1,848,344. The revolving line of credit balance as of August 31, 2024 and November 30, 2023 was \$2,222,728 and \$1,222,728, respectively, and is reflected on the accompanying balance sheet.

The Company incurred debt issuance costs related to the term loan in the amount of \$196,501 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 the three months ended August 31, 2024 and August 31, 2023, \$5,297 and \$5,396, respectively, of the debt issuance costs were amortized and are reflected in interest expense on the accompanying consolidated statements of income. As of the nine months ended August 31, 2024 and August 31, 2023, \$15,968 and \$16,258, respectively, of the debt issuance costs were amortized and are reflected in interest expense on the accompanying consolidated statements of income.

On March 27, 2023, the Company entered into an interest rate swap agreement with Susser to manage exposure to interest rate risk related to its variable rate debt obligation under the Term Note. The swap agreement had a notional amount equal to the Term Loan. The agreement is to pay the Company monthly SOFR plus 3.25% on the notional amount and the Company is to pay a fixed rate of interest equal to 6.96%. The effective date of the amended term loan was March 27, 2023 with a maturity date of July 29, 2032. On April 15, 2024, the Company terminated the interest rate swap agreement and recorded proceeds of \$228,000.

The Company is required to pay a commitment fee equal to 0.5% times the daily average unused portion of the RCF.

The Agreement requires the Company to maintain a Leverage Ratio, determined as of the last day of each quarter for the four-fiscal quarter period ending on the date of determination, of no more than 3.50 to 1.00. The Agreement also requires the Company to maintain a Debt Service Coverage Ratio of no less than 1.25 to 1.00 determined as of the last day of each quarter for the four-fiscal quarter period ending on the date of determination.

As of August 31, 2024 and November 30, 2023, the note payable obligation was as follows:

	August 31, 2024		November 30, 2023	
Note payable - Susser	\$	8,658,654	\$	8,765,082
Unamortized debt issuance costs - Susser		(153,437)		(169,404)
Net note payable	\$	<u>8,505,217</u>	\$	<u>8,595,678</u>
Current portion of note payable	\$	174,587	\$	165,641
Long-term note payable, net of debt issuance costs		8,330,630		8,430,037
Total	\$	<u>8,505,217</u>	\$	<u>8,595,678</u>

Interest expense on the note payable for the three and nine months ended August 31, 2024 and 2023 was as follows:

	For the three months ended August 31, 2024		For the nine months ended August 31, 2024	
Interest expense on notes payable - Susser	\$	254,758	\$	301,924
Debt issuance costs - Susser		5,297		5,297
Total interest expense	\$	<u>260,055</u>	\$	<u>307,221</u>

	For the three months ended August 31, 2023		For the nine months ended August 31, 2023	
Interest expense on notes payable - Susser	\$	200,638	\$	607,319
Debt issuance costs - Susser		5,396		16,258
Total interest expense	\$	<u>206,034</u>	\$	<u>623,577</u>

During the three and nine months ended August 31, 2024, the Company capitalized interest expense of \$0 and \$409,307, respectively, related to the construction of the Company's new facility in North Carolina.

Note 6 – Income per Common Share

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

	Three Months Ended		Nine Months Ended	
	August 31, 2024	August 31, 2023	August 31, 2024	August 31, 2023
Numerator:				
Net income	\$ 1,051,679	\$ 680,561	\$ 2,263,710	\$ 1,668,349
Denominator:				
Weighted-average shares outstanding-basic	8,061,946	8,286,555	8,151,967	8,358,792
Dilutive common shares issuable upon exercise of stock options	111,589	55,512	89,521	16,147
Weighted-average shares-diluted	<u>8,173,535</u>	<u>8,342,067</u>	<u>8,241,488</u>	<u>8,374,939</u>
Income per share:				
Basic	<u>\$ 0.13</u>	<u>\$ 0.08</u>	<u>\$ 0.28</u>	<u>\$ 0.20</u>
Diluted	<u>\$ 0.13</u>	<u>\$ 0.08</u>	<u>\$ 0.27</u>	<u>\$ 0.20</u>

For the three months ended August 31, 2024, the Company excluded the effect of 591,665 outstanding 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 nine months ended August 31, 2024, the Company excluded the effect of 639,745 outstanding 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 three months ended August 31, 2023, the Company excluded the effect of 655,678 outstanding 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 nine months ended August 31, 2023, the Company excluded the effect of 730,678 outstanding 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.

Note 7 – Stockholders’ Equity

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 August 31, 2024, and November 30, 2023, there were 15,000 and 17,500 options issued, but not yet exercised, under the 2006 Plan, respectively. As of August 31, 2024, there were no 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. In October 2019, the Board of Directors approved amendments to the plan, subject to ratification by the stockholders, which occurred at the Company’s 2019 Annual Meeting of Stockholders on November 21, 2019. As of August 31, 2024, there were 198,578 service-based options issued, 129,729 service-based restricted common shares granted, 530,851 performance-based and 116,218 market-based restricted common shares granted under the 2012 Plan. As of November 30, 2023, there were 198,578 service-based options issued, 129,729 service-based restricted common shares granted, 530,851 performance-based and 116,218 market-based restricted common shares granted under the 2012 Plan. As of August 31, 2024, there were no shares available for future issuance under the 2012 Plan.

On April 8, 2022, the Board of Directors of the Company adopted the 2022 Equity Incentive Plan (the “2022 Plan”) to provide incentive compensation to the Company’s employees, independent directors and independent contractors. The plan was approved by the Company’s stockholders on October 3, 2022 at the Company’s 2022 Annual Meeting. The 2022 Plan reserves 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). As of August 31, 2024, there were 289,700 service-based options issued and 475,000 market-based restricted options granted. As of November 30, 2023, there were 186,700 service-based options issued and 475,000 market-based restricted options granted. As of August 31, 2024, there were 735,300 shares available for future issuance under the 2022 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 based upon historical exercise data. Expected dividends are based on the historical trend of the Company not issuing dividends other than the one-time, special cash dividend declared by the Board of Directors on August 19, 2022.

There were 0 and 103,000 options granted during the three and nine months ended August 31, 2024, respectively.

There were 0 and 113,000 options granted during the three and nine months ended August 31, 2023, respectively.

Variables used to determine the fair value of the options granted for the three and nine months ended August 31, 2024 and 2023, respectively, are as follows:

	Three months ended		Nine months ended	
	August 31, 2024	August 31, 2023	August 31, 2024	August 31, 2023
Weighted average values:				
Expected dividends	0%	0%	0%	0%
Expected volatility	—	—	60.52%	55.00%
Risk free interest rate	—	—	3.87%	3.87%
Expected life	—	—	5 years	5 years

Stock option activity for options with only service-based vesting conditions for the nine months ended August 31, 2024, was as follows:

	Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Outstanding at November 30, 2023	404,278	\$ 7.36	4.49	\$ 135,330
Granted	103,000	6.31		8,960
Exercised	(2,500)	6.50		1,675
Expired/forfeited	(1,500)	7.04		—
Outstanding at August 31, 2024	<u>503,278</u>	\$ 7.15	3.88	\$ 270,600
Exercisable at August 31, 2024	<u>377,568</u>	\$ 7.49	3.87	\$ 202,418

The weighted average grant date fair value of options granted during the nine months ended August 31, 2024 and August 31, 2023 was \$3.13 and \$2.19, 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 August 31, 2024 or November 30, 2023 as applicable. The intrinsic value of the Company's stock options changes based on the closing price of the Company's stock.

During the three and nine months ended August 31, 2024, the Company issued 373 and 373 common shares, respectively, to option holders who exercised options for \$1,002 and \$1,002, respectively.

During the three and nine months ended August 31, 2023, the Company issued 1,245 and 1,245 common shares, respectively, to option holders who exercised options for \$0 and \$0, respectively.

Significant option groups outstanding and exercisable at August 31, 2024 and related price and contractual life information are as follows:

Range of Exercise Prices	Outstanding	Outstanding		Exercisable	
		Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Outstanding	Weighted Average Exercise Price
\$3.01 to \$4.00	25,000	1.44	\$ 3.13	25,000	\$ 3.13
\$4.01 to \$5.00	123,600	3.85	\$ 4.70	81,315	\$ 4.69
\$5.01 to \$6.00	28,000	4.31	\$ 5.88	9,332	\$ 5.88
\$6.01 to \$7.00	86,933	4.79	\$ 6.48	36,930	\$ 6.48
\$7.01 to \$8.00	149,645	4.61	\$ 7.55	143,793	\$ 7.53
\$9.01 to \$10.00	29,000	3.51	\$ 9.37	21,933	\$ 9.37
\$12.01 to \$13.00	16,653	5.98	\$ 12.54	14,818	\$ 12.55
\$13.01 to \$14.00	44,447	0.31	\$ 13.50	44,447	\$ 13.50
	<u>503,278</u>	3.88	\$ 7.15	<u>377,568</u>	\$ 7.49

A summary of the status of the Company's non-vested options as of August 31, 2024, and changes during the nine months ended August 31, 2024, is presented below:

	Options		Weighted Average Grant-Date Fair Value
Non-vested at November 30, 2023	114,193	\$	3.10
Granted	103,000		3.13
Vested	(91,483)		3.32
Forfeited	—		—
Non-vested at August 31, 2024	<u>125,710</u>	\$	2.97

As of August 31, 2024, there was approximately \$277,000 of total unrecognized compensation cost related to non-vested share-based compensation arrangements granted under the 2012 Plan and the 2022 Plan. The cost is expected to be recognized over a weighted-average period of 1.83 years as of August 31, 2024. The total fair value of shares vested during the nine months ended August 31, 2024 was approximately \$304,000.

Performance and market-based vesting condition options

On April 8, 2022, the Company granted 400,000 market-based vesting condition options to David Portnoy, Mark Portnoy, and Oleg Mikulinsky in the amounts of 280,000, 100,000, and 20,000, respectively. For market-based vesting condition options, accounting principles do not require that the market condition be met in order for the compensation cost to be recognized. Fair value of these options has been determined using a Monte Carlo valuation approach and is being recognized over the requisite service period, regardless if the market condition will be met. The exercise price of the options is \$12.27 and the calculated fair value of the options is \$2.79. These stock options vest immediately when the price of the Company's stock reaches \$25.00 per share during the seven-year option term. The grant of these options was approved by the Company's stockholders on October 3, 2022 at the Company's 2022 Annual Meeting. For the three and nine months ended August 31, 2024, the Company recognized approximately \$98,000 and \$294,000, respectively, in compensation cost and is reflected as selling, general and administrative expense in the accompanying consolidated statement of income. For the three and nine months ended August 31, 2023, the Company recognized approximately \$98,000 and \$293,000, respectively, in compensation cost and is reflected as selling, general and administrative expense in the accompanying consolidated statement of income. As of August 31, 2024, there was approximately \$178,000 of unrecognized compensation cost to be recognized over the remaining requisite service period of .46 years.

On December 23, 2022, the Company entered into new two-year employment agreements (the "Agreements"), effective December 1, 2022, with David Portnoy and Mark Portnoy. Per the Agreements, David Portnoy and Mark Portnoy were awarded a signing bonus of a 5-year option to acquire 50,000 and 25,000 shares, respectively, of the Company's common stock, exercisable only if the Company's stock has a closing price at least once during the life of the option above \$8.00. These options are considered to be market-based vesting condition options and accounting principles do not require the market condition to be met in order for the compensation cost to be recognized. Fair value of these options has been determined using a Monte Carlo valuation approach and is being recognized over the requisite service period, regardless if the market condition will be met. The exercise price of the options is \$4.30 and the calculated fair value of the options is \$1.76. These stock options vest immediately when the price of the Company's stock reaches \$8.00 per share during the five-year option term. The price of the Company's stock reached above \$8.00 on March 26, 2024. As a result, the stock options vested immediately and the remaining compensation cost was recognized. As of the three and nine months ended August 31, 2024, the Company recognized approximately \$0 and \$52,000, respectively, in compensation cost and is reflected as selling, general and administrative expense in the accompanying consolidated statement of income. As of the three and nine months ended August 31, 2023, the Company recognized approximately \$21,000 and \$59,000, respectively, in compensation cost and is reflected as selling, general and administrative expense in the accompanying consolidated statement of income. As of August 31, 2024, there was approximately \$0 of unrecognized compensation cost to be recognized.

Note 8 – License 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 and Panama ("affiliates"). Under the marketing agreements, the Company earns processing and storage revenues from affiliates that store specimens in the Company's facility.

Note 9 – Commitments and Contingencies

Employment Agreements

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

Legal Proceedings

On January 6, 2023, a complaint styled Lindsey Lehr v. Cryo-Cell International, Inc., Case No. 50-2023-CA-000091, was filed in the Circuit Court for Palm Beach County, Florida, naming the Company as defendant and asserting claims on behalf of a putative class of individuals who entered agreements with the Company for umbilical cord blood storage services since May 2018. The complaint alleges that the Company's advertising does not accurately represent the value and efficacy of its services and asserts claims (and seeks unspecified damages) under Florida law. On March 14, 2023, the Company removed the case to the United States District Court for the Southern District of Florida (Case No. 9:23-cv-80405-AMC), and on March 21, 2023, moved to compel arbitration and stay the case. On October 10, 2023, the Court granted the Company's motion to compel arbitration and stayed the case. The Company has not yet responded to the complaint. The Company believes the plaintiff's claims are without merit and intends to contest the action vigorously. The Company believes that the resolution of this matter 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 outcome or resolution of the claims asserted, which could negatively and materially impact the Company's business, consolidated financial position and results of operations. 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.

On October 4, 2024, the Company filed a demand for arbitration (the "Arbitration Demand") against Duke with the American Arbitration Association ("AAA"), alleging that Duke fraudulently induced Cryo-Cell to enter the Duke License Agreement and breached the agreement on various occasions. The Arbitration Demand includes five counts against Duke, as follows: Count I – Breach of the Duke License Agreement; Count II – Breach of Implied Contractual Covenant of Good Faith and Fair Dealing; Count III – Fraudulent Inducement to Enter the Duke License Agreement; Count IV – Violation of North Carolina's Unfair Trade Practices Act; and Count V – Unjust Enrichment. In connection therewith, the Company has requested that the arbitrator enter an award in the Company's favor and against Duke for damages in an amount to be proved at a final hearing, interest, attorneys' fees, and arbitration fees and costs, along with all other relief to which the Company is entitled at law or in equity. As of October 15, 2024, Duke has not responded to the Arbitration Demand. See "Note 12" and "Risk Factors" for additional information regarding Duke.

In addition to the above lawsuit, from time to time, the Company is subject to proceedings, lawsuits, contract disputes and other claims in the normal course of its business.

Note 10 – 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 nine million (9,000,000) 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.

As of August 31, 2024, the Company had repurchased an aggregate of 6,787,460 shares of the Company's common stock at an average price of \$3.66 per share through open market and privately negotiated transactions under the Company's share repurchase plan. The Company purchased 224,999 (at an average price of \$6.33 per share) during the nine months ended August 31, 2024 and the Company purchased 214,971 (at an average price of \$3.72 per share) of the Company's common stock during the nine months ended August 31, 2023.

The repurchased shares will be held as treasury stock at cost and have been removed from common shares outstanding as of August 31, 2024 and November 30, 2023. As of August 31, 2024 and November 30, 2023, 6,787,460 and 6,562,461 shares, respectively, were held as treasury stock.

Note 11 – Leases

The following table presents the right-of-use asset and short-term and long-term lease liabilities amounts recorded on the consolidated balance sheets as of August 31, 2024 and November 30, 2023:

	August 31, 2024	November 30, 2023
Assets		
Operating lease right-of-use asset	\$ 896,790	\$ 1,033,157
Liabilities		
Current portion of operating lease liabilities	\$ 383,891	\$ 225,686
Operating lease long-term liabilities	619,032	851,938
Total lease liability	<u>\$ 1,002,923</u>	<u>\$ 1,077,624</u>

The maturity of the Company's lease liabilities at August 31, 2024 were as follows:

Fiscal Year Ending November 30,	Future Operating Lease Payments
2024 (3 months remaining)	\$ 89,890
2025	490,310
2026	490,982
2027	38,247
Less: Imputed interest	(106,506)
Present value of lease liabilities	<u>\$ 1,002,923</u>

The remaining lease term and discount rates are as follows:

	August 31, 2024	November 30, 2023
Lease Term and Discount Rate		
Remaining lease term (years)		
Operating lease	2.33	3.08
Discount rate (percentage)		
Operating lease	8.3%	8.3 %

Supplemental cash flow information related to leases is as follows:

	Three months ended	
	August 31, 2024	August 31, 2023
Operating cash outflows from operating leases	\$ 88,321	\$ 76,690
	Nine months ended	
	August 31, 2024	August 31, 2023
Operating cash outflows from operating leases	\$ 266,418	\$ 254,003

Note 12 – License Agreement with Duke

As previously disclosed, the Company entered into a Patent and Technology License Agreement dated effective as of February 23, 2021 (as amended, the "Duke License Agreement") with Duke University ("Duke"), pursuant to which Duke granted to the Company an exclusive license to make, have made, use, import, offer for sale, sell and otherwise commercially exploit (with the right to sublicense) certain licensed products and to practice certain licensed processes, and the exclusive right to use certain regulatory data and technical information in connection with such licensed patent rights, in the treatment, prevention, cure, reduction, mitigation or other management of certain diseases in humans, except, with regard to certain patent rights, in certain excluded fields of use and in certain territories, subject to Duke's reserved rights to practice the licensed rights for all research, public service, internal (including clinical) and/or educational purposes. The Duke License Agreement was amended pursuant to the First Amendment to License Agreement dated February 4, 2022 and the Second Amendment to License Agreement dated February 17, 2023.

Through the Duke License Agreement, the Company had anticipated, either directly or through its wholly-owned subsidiary, Celle Corp., exploring, testing, and administering treatments to patients for which there are limited U.S. Food and Drug Administration (“FDA”) approved therapies, including cerebral palsy and autism. These treatments were expected to utilize the unique immunomodulatory and potential regenerative properties derived from cord blood and cord tissue. Through the Duke License Agreement, the Company intended to develop three business units, namely: (1) its cord blood bank and other storage services (its historical business); (2) cord blood and cord tissue infusion clinic services initially under the FDA’s Expanded Access Program and in conjunction with the undertaking of cord blood and cord tissue clinical trials to obtain biologics license application (“BLA”) approvals for new indications, and (3) biopharmaceutical manufacturing if BLA(s) were approved by the FDA. Additionally, to support such business expansion, the Company had anticipated opening and launching the Cryo-Cell Institute for Cellular Therapies, which it initially hoped to open as early as the fourth quarter of fiscal 2021, but no later than the first quarter of fiscal 2022 (and more recently reported as anticipated to open during the fourth quarter of fiscal 2024).

However, due to Duke’s conduct, the Company has not been able to make the progress it had hoped to make in expanding patient access to innovative infusion treatments and has been prevented from commercializing the rights licensed under the Duke License Agreement, treating patients and otherwise obtaining the benefits of the Duke License Agreement. As such, after attempts to reach compromise, on October 4, 2024, the Company filed a demand for arbitration (the “Arbitration Demand”) with the American Arbitration Association (“AAA”). Among other things, the Company alleges in the Arbitration Demand that Duke fraudulently induced Cryo-Cell to enter the Duke License Agreement and breached it on various occasions. The Arbitration Demand includes five counts against Duke, as follows: Count I – Breach of the Duke License Agreement; Count II – Breach of Implied Contractual Covenant of Good Faith and Fair Dealing; Count III – Fraudulent Inducement to Enter into Duke License Agreement; Count IV – Violation of North Carolina’s Unfair Trade Practices Act; and Count V – Unjust Enrichment.

In connection therewith, the Company has requested that the arbitrator enter an award in the Company’s favor and against Duke for damages in an amount to be proved at a final hearing, interest, attorneys’ fees, and arbitration fees and costs, along with all other relief to which the Company is entitled at law or in equity. Cryo-Cell has notified Duke that it believes such damages are in excess of \$100 million.

As of October 15, 2024, Duke has not responded to the Arbitration Demand.

The Company has made the required payments due to Duke to date under the Duke License Agreement, and it will pay in Q4 2024 a final payment of \$187,400 under the Clinical Study and Research Agreement that the Company entered into with Duke dated March 3, 2023 in connection with the Second Amendment to the Duke License Agreement. As previously disclosed, the Duke License Agreement also imposes certain future royalty payment obligations along with an obligation to pay certain legal fees and expenses associated with related patents. The Company is also obligated to pay Duke \$2,000,000 two years after the first patient or subject is treated in the first Phase III clinical trial of a licensed product comprising mesenchymal stromal cells for an indication other than Autism Spectrum Disorder, of which there can be no assurances.

In fiscal 2021, the Company capitalized \$15,372,382 in connection with the Duke License Agreement, which was considered to be an asset acquisition and which represented the costs to obtain the Duke License Agreement, and also recorded a corresponding liability to Duke for the Duke License Agreement. The Company was amortizing these costs over 16 years. However, during fiscal 2023, the Company recognized that there were indications of impairment of the assets associated with the Duke License Agreement. The Company evaluated the triggering events that existed as of November 30, 2023, tested the asset group for recoverability and measured the long-lived asset impairment. As a result, during the fourth quarter of fiscal 2023, the Company recorded an impairment charge of the full carrying value of \$13,108,064.

As of the nine months ended August 31, 2024 and August 31, 2023, the Company recorded \$0 and \$720,580, respectively, in amortization expense which is reflected in amortization expense on the accompanying consolidated statements of income. As of the three months ended August 31, 2024 and August 31, 2023, the Company recorded \$0 and \$240,193, respectively, in amortization expense which is reflected in amortization expense on the accompanying consolidated statements of income.

As stated above, through the Duke License Agreement, the Company had intended to expand to a triad of core business units to include: (1) its cord blood bank and other storage services; (2) cord blood and cord tissue infusion clinic services initially under the FDA’s Expanded Access Program and in conjunction with the undertaking of cord blood and cord tissue clinical trials to obtain BLA approvals for new indications, and (3) biopharmaceutical manufacturing if BLA(s) were approved by the FDA. As of the date hereof, the Company can make no assurances it will be able to expand its business into business units (2) and (3) above.

Until the Duke arbitration claims are resolved, the Company does not anticipate making further investments (other than the completion of a comparability study estimated to cost less than \$350,000 in additional capital) in activities related to the Duke License Agreement. The Company’s previously disclosed agreement with a clinical research organization, The Emmes Company, LLC, will require an immaterial final payment if the Company terminates such agreement. The opening of the Cryo-Cell Institute for Cellular

Therapies is on pause. The Company can make no assurances as to when or if it will be opened. Also, the proposed spinoff of Celle Corp. is on hold and may not take place depending on the final outcome of the Duke dispute. See “Risk Factors.”

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

Forward Looking Statements

This Form 10-Q, press releases and certain information provided periodically in writing or orally by the Company's officers or its agents may contain statements which constitute "forward-looking statements". The terms "Cryo-Cell International, Inc.," "Cryo-Cell," "Company," "we," "our" and "us" refer to Cryo-Cell International, Inc. The words "expect," "anticipate," "believe," "goal," "strategy," "plan," "intend," "estimate" and similar expressions and variations thereof, if used, are intended to specifically identify forward-looking statements. Those statements appear in a number of places in this Form 10-Q and in other places, and include statements regarding the intent, belief or current expectations of the Company, its directors or its officers with respect to, among other things:

- (i) our future performance and operating results;
- (ii) our future operating plans;
- (iii) our liquidity and capital resources; and
- (iv) our financial condition, accounting policies and management judgments.

We have based these forward-looking statements on our current expectations, assumptions, estimates and projections. These forward-looking statements involve risks and uncertainties and reflect only our current views, expectations and assumptions with respect to future events and our future performance. If risks or uncertainties materialize or assumptions prove incorrect, actual results or events could differ materially from those expressed or implied by such forward-looking statements. The factors that might cause such differences include, among others:

- (i) the complexities, uncertainties, required consents and timing related to the potential spinoff of Celle Corp.;
- (ii) any adverse effect or limitations caused by recent increases in government regulation of stem cell storage facilities;
- (iii) any increased competition in our business including increasing competition from public cord blood banks particularly in overseas markets but also in the U.S.;
- (iv) any decrease or slowdown in the number of people seeking to store umbilical cord blood stem cells or decrease in the number of people paying annual storage fees;
- (v) any adverse impacts on revenue or operating margins due to the costs associated with increased growth in our business, including the possibility of unanticipated costs relating to the operation of our facility and costs relating to the commercial launch of new types of stem cells;
- (vi) any unique risks posed by our international activities, including but not limited to local business laws or practices that diminish our affiliates' ability to effectively compete in their local markets;
- (vii) any technological or medical breakthroughs that would render our business of stem cell preservation obsolete;
- (viii) any material failure or malfunction in our storage facilities; or any natural disaster or act of terrorism that adversely affects stored specimens;
- (ix) any adverse results to our prospects, financial condition or reputation arising from any material failure or compromise of our information systems;
- (x) the costs associated with defending or prosecuting litigation matters, particularly including litigation related to intellectual property, and any material adverse result from such matters;
- (xi) the success of our licensing agreements and their ability to provide us with royalty fees;
- (xii) any difficulties and increased expense in enforcing our international licensing agreements;
- (xiii) any adverse performance by or relations with any of our licensees;
- (xiv) any inability to enter into new licensing arrangements including arrangements with non-refundable upfront fees;

- (xv)any inability to realize cost savings as a result of recent acquisitions;
- (xvi)any inability to realize a return on an investment;
- (xvii)any adverse impact on our revenues and operating margins as a result of discounting of our services in order to generate new business in tough economic times where consumers are selective with discretionary spending;
- (xviii)the success of our global expansion initiatives and product diversification;
- (xix)our actual future ownership stake in future therapies emerging from our collaborative research partnerships;
- (xx)our ability to minimize our future costs related to R&D initiatives and collaborations and the success of such initiatives and collaborations;
- (xxi)any inability to successfully identify and consummate strategic acquisitions;
- (xxii)any inability to realize benefits from any strategic acquisitions;
- (xxiii)the Company's ability to realize a profit on the acquisition of PrepaCyte-CB;
- (xxiv)the Company's ability to realize a profit on the acquisition of Cord:Use;
- (xxv)the Company's actual future competitive position in stem cell innovation;
- (xxvi)future success of its core business and the competitive impact of public cord blood banking on the Company's business;
- (xxvii)the success of the Company's initiative to expand its core business units to include biopharmaceutical manufacturing and operating clinics, the uncertainty of profitability from its biopharmaceutical manufacturing and operating clinics, the Company's ability to minimize future costs to the Company related to R&D initiatives and collaborations and the success of such initiatives and collaborations,
- (xxviii)the success of the Company's initiative to purchase a new facility and expand the Company's cryopreservation and cold storage business by introducing a new service, ExtraVault,
- (xxix)the expense, timing and uncertain results of clinical trials related to the Duke Agreement;
- (xxx)the Company's ability to commercialize the rights licensed under the Duke License Agreement or otherwise obtaining the benefits of the Duke License Agreement;
- (xxxi)the Company's spinoff of Celle Corp.;
- (xxxii)the outcome of the Company's Arbitration Demand against Duke; and
- (xxxiii)the other risk factors set forth in this Report under the heading "Risk Factors."

Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect management's analysis only as of the date hereof. Cryo-Cell International, Inc. undertakes no obligation to publicly revise these forward-looking statements to reflect events or circumstances that arise after the date hereof. Readers should carefully review the risk factors described in other documents the Company files from time to time with the Securities and Exchange Commission.

Overview

The Company currently stores over 235,000 cord blood and cord tissue specimens 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. The Company's U.S.-based business operations, including the processing and storage of specimens, are handled from its headquarters facility in Oldsmar, Florida.

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. In 2011, the Company introduced its 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.

As discussed further in Note 12, effective as of February 23, 2021, the Company entered into a Patent and Technology License Agreement (the “Duke License Agreement”) with Duke University (“Duke”). The Duke License Agreement grants the Company certain rights to proprietary processes and regulatory data related to cord blood and cord tissue developed at Duke. Through the Duke License Agreement, the Company had anticipated, either directly or through its wholly-owned subsidiary, Celle Corp., exploring, testing, and administering treatments to patients with osteoarthritis and with conditions for which there are limited U.S. Food and Drug Administration (“FDA”) approved therapies, including cerebral palsy, autism, and multiple sclerosis. These treatments were expected to utilize the unique immunomodulatory and potential regenerative properties derived from cord blood and cord tissue. Through the Duke License Agreement, the Company, together with Celle Corp., hoped to develop three business units, namely: (1) its cord blood bank and other storage services (its historical business); (2) cord blood and cord tissue infusion clinic services initially under the FDA’s Expanded Access Program in conjunction with the undertaking of cord blood and cord tissue clinical trials to obtain biologics license application (“BLA”) approvals for new indications, and (3) biopharmaceutical manufacturing if BLA(s) were approved by the FDA. Additionally, to support such business expansion, the Company had anticipated opening and launching its Cryo-Cell Institute for Cellular Therapies, which it initially hoped to open as early as the fourth quarter of fiscal 2021, but no later than the first quarter of fiscal 2022, but more recently reported that it anticipated opening it during the fourth quarter of fiscal 2024. As of the date hereof, the Company can make no assurances it will be able to expand its business into business units (2) and (3) above.

Until the Duke arbitration claims are resolved, the Company does not anticipate making further investments (other than the completion of a comparability study estimated to cost less than \$350,000 in additional capital) in activities related to the Duke License Agreement. The opening of the Cryo-Cell Institute for Cellular Therapies is also on pause and the Company can make no assurances as to when it will be opened. Additionally, the proposed spinoff of Celle Corp. is also on hold and may not occur depending on the outcome of the Duke dispute. See, “Risk Factors”.

During fiscal 2023, the Company recognized that there were indications of impairment of the assets associated with the Duke License Agreement. The Company evaluated the triggering events that existed as of November 30, 2023, tested the asset group for recoverability and measured the long-lived asset impairment. As a result, during the fourth quarter of fiscal 2023, the Company recorded an impairment charge of the full carrying value of \$13,108,064.

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. These 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 50,000 cord blood stem cell transplants have been performed to date. The Company believes that many 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. Today, stem cell transplants are known and accepted treatments for at least 78 diseases, we believe, 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. Moreover, researchers believe they may be utilized in the future for treating diseases that currently have no cure.

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. 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.

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 entered into an 18-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). 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.

Competitive Advantages

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

- The world's first private cord blood bank, that in combination with its global affiliates, currently stores over 235,000 cord blood and cord tissue specimens,
- Our facility's status as a cGMP- and cGTP-compliant private cord blood bank with 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 five-compartment cord blood freezer bag that allows for multiple uses of the baby's cord blood stem cells,
- 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 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, effective June 1, 2017 this payment was increased to \$100,000 for new clients that choose our premium cord blood processing method, PrepaCyte® CB Processing System ("PrepaCyte CB")) 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 MSCs, which 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.

Public Banking

In June 2018, the Company acquired substantially all of the assets (the "Cord Purchase") of Cord:Use Cord Blood Bank, Inc., a Florida corporation ("Cord:Use"), in accordance with the definitive Asset Purchase Agreement between Cryo-Cell and Cord:Use (the "Purchase Agreement"), including without limitation Cord:Use's inventory of public cord blood units existing as of the closing date (the "Public Cord Blood Inventory"). The Public Cord Blood Inventory creates a large, ethnically diverse, high quality inventory of available cord blood stem cell units for those in need of life saving therapy. The Company collects cord blood units at hospitals in Florida, Arizona, and California. The Company's public inventory is stored in North Carolina, and the cord blood units are sold through the National Marrow Donor Program ("NMDP") located in Minnesota, who ultimately distributes the cord blood units to transplant centers located in the United States, and around the world.

ExtraVault

On July 18, 2022, the Company completed the purchase of a 56,000 square foot facility located near the Research Triangle Park in the Regional Commerce Center in Durham, North Carolina (the "New Facility"). The New Facility has space for not only its existing and future internal storage needs, but also has the capacity to offer third party pharmaceutical companies and medical institutions cold storage services ("ExtraVault" – see www.extravault.com), to set up a cellular therapy laboratory to manufacture mesenchymal stromal cells from cord tissue ("MSCs") and the space to consolidate the Cryo-Cell Institute for Cellular Therapies under the same roof.

The Company anticipates this New Facility will expand the Company's cryopreservation and cold storage business by introducing a new service, ExtraVault (www.extravault.com). With over 30 years of experience in handling biological specimens for both research and clinical use, Cryo-Cell intends to leverage this expertise and offer these biorepository services to biopharmaceutical companies and healthcare institutions. The new facility is being constructed to offer state-of-the-art biologic, reagent and vaccine storage at cost effective prices. A robust inventory management system is planned to be implemented that Cryo-Cell believes will allow customers to view their own inventory through a customer portal and place distribution orders online. As a result, it is anticipated ExtraVault will provide expertise, experience, customer electronic access and cost sensitive solutions to the Company's partners in the biopharma and healthcare industries.

On May 15, 2024, the Company received the Certificate of Occupancy for the facility in Durham, North Carolina.

Marketing

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 2022 are 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 team of field cord blood educators who increase awareness of the benefits of storing cord blood and cord tissue to the Company's clinical referral sources, including physicians, midwives and hospitals and to expectant parents. Other promotional activities include internet advertisements and telemarketing activities. In addition, the Company exhibits at conferences, trade shows and other meetings attended by pregnant women and/or medical professionals. Significant portions of client referrals to the Company are from medical caregiver professionals.

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, 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.

The Company intends to continue offering cord blood and cord tissue banking services to expectant parents and relying on both online advertising and its national team of field cord blood educators to enroll new clients. A significant portion of its new enrollments are generated from returning customers and referrals. Many of the Company's clients choose to enter into either multiyear storage contracts, which results in deferred revenues that are recognized over the life the storage contracts.

Our public units are listed on the NMDP registry, which is connected to all other major international registries. NMDP has a contract with the Health Resources & Services Administration (HRSA), part of the Human Health Services Department of the US government, to be the single point of access for bone marrow, peripheral blood and cord blood for transplant centers needing stem cells for transplant.

Additionally, 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 and Panama.

Corporate Information

We are a Delaware corporation that was incorporated in 1989. Our executive offices are located at 700 Brooker Creek Blvd, Suite 1800, Oldsmar, Florida 34677 and our telephone number at such office is (813) 749-2100. Our website address is <https://www.cryo-cell.com>. Information contained on our website is not deemed part of this report.

Results of Operations – Nine-Month Period Ended August 31, 2024 Compared to the Nine-Month Period Ended August 31, 2023

Revenue. Revenue for the nine months ended August 31, 2024 was \$23,961,761 as compared to \$23,466,980 for the same period in 2023. The increase in revenue was in part due to a 3% increase in processing and storage fees.

Processing and Storage Fees. Processing and storage fee revenue is attributable to a 4% increase in recurring annual storage fee revenue offset by a 4% decrease in the number of new domestic cord blood specimens processed in the first nine months of fiscal 2024 versus the same period in 2023.

Product Revenue. For the nine months ended August 31, 2024, revenue from the product sales was \$39,470 compared to \$61,920 for the nine months ended August 31, 2023.

Public Cord Blood Banking Revenue. For the nine months ended August 31, 2024, revenue from the public cord blood banking sales was \$205,799 compared to \$398,896 for the nine months ended August 31, 2023. The increase in revenue is due to the volatility of customer demand.

Cost of Sales. Cost of sales for the nine months ended August 31, 2024 was \$6,311,064 as compared to \$6,366,737 for the same period in 2023, representing a 1% decrease. 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 \$89,103 and \$140,203 for the nine months ended August 31, 2024 and August 31, 2023, respectively. Cost of Sales also includes \$37,083 and \$27,432 for the nine months ended August 31, 2024 and August 31, 2023, respectively, related to the costs associated with production of the PrepaCyte®-CB processing and storage system. Also included in Cost of Sales is \$699,872 and \$872,895 for the nine months ended August 31, 2024 and August 31, 2023, respectively, related to the public banks.

Selling, General and Administrative Expenses. Selling, general and administrative expenses for the nine months ended August 31, 2024 were \$12,510,787 as compared to \$11,722,435 for the 2023 period representing an 7% increase. These expenses are primarily comprised of selling and marketing expenses, salaries and wages for personnel and professional fees.

Research, Development and Related Engineering Expenses. Research, development and related engineering expenses for the nine months ended August 31, 2024 were \$937,907 as compared to \$727,648 for the 2023 period, of which \$270,368 and \$0, respectively, related to the Clinical Study and Research Agreement with Duke University to provide funding to complete the Duke IMPACT Study (See Note 12) and \$273,309 and \$0, respectively, related to clinical trial expenses related to the Company's Master Services Agreement with Emmes (See Note 12).

Depreciation and Amortization. Depreciation and amortization (not included in Cost of Sales) for the nine months ended August 31, 2024 was \$287,543 compared to \$843,201 for the 2023 period.

Change in the Fair Value of Contingent Consideration. Change in the fair value of the contingent consideration for the nine months ended August 31, 2024 was an increase of \$3,829 compared to a decrease of \$65,154 for the 2023 period. The contingent consideration is the amount that Cord:Use is entitled to from the Company's sale of the public cord blood inventory from and after closing, described above. The contingent consideration was remeasured to fair value as of August 31, 2024. The estimated fair value

of the contingent earnout was determined using a Monte Carlo analysis examining the frequency and mean value of the resulting earnout payments. The resulting value captures the risk associated with the form of the payout structure. The risk-neutral method is applied, resulting in a value that captures the risk associated with the form of the payout structure and the projection risk. The carrying amount of the liability may fluctuate significantly and actual amounts paid may be materially different from the estimated value of the liability.

Impairment of investment – Tianhe stock. The impairment of investment – Tianhe stock for the nine months ended August 31, 2024 was \$308,000 compared to \$0 for the same period in 2023. In accordance with the Asset Purchase Agreement between Cryo-Cell and Cord:Use dated June 11, 2018, Cryo-Cell acquired Cord:Use's shares of common stock of Tianhe Stem Cell Biotechnologies, Inc., an Illinois corporation, engaged in medical and life science research that involves the use of stem cells derived from umbilical cord blood units in clinical trials for humans. The Tianhe stock investment value is based on fair value. Due to the lack of activity and lack of any profits, the Company believes that the investment is fully impaired.

Interest Expense. Interest expense during the nine months ended August 31, 2024, was \$1,119,196 compared to \$1,405,825 during the comparable period in 2023, of which, \$307,221 and \$623,577, respectively, related to the credit and subordination agreements with Texas Capital Bank, National Association and Susser Bank as described in Note 5. Interest expense also includes of \$806,244 and \$765,283 as of the nine months ended August 31, 2024 and August 31, 2023, respectively, for amounts due to the parties to the Company's revenue sharing agreements based on the Company's storage revenue collected. The remaining interest expense for the nine months ended August 31, 2023 is due to the accretion of the outstanding liability due to Duke per the Agreement, see Note 12. During the nine months ended August 31, 2024, the Company capitalized interest expense of \$409,307 related to the construction of the Company's new facility in North Carolina.

Gains on Marketable Securities. Gains on marketable securities for the nine months ended August 31, 2024 was \$1,056,052 compared to \$100,082 for the nine months ended August 31, 2023.

Gain (Loss) on Interest Rate Swap. Gain on the change in the fair value of a derivative for the nine months ended August 31, 2024 was \$105,887 compared to \$58,757 for the 2023 period. The fair value is based on prevailing market data and derived from proprietary models based on well recognized financial principles and reasonable estimates about relevant future market conditions.

Income Taxes. U.S. income tax expense for the nine months ended August 31, 2024 was \$1,382,845 compared to \$960,214 for the nine months ended August 31, 2023.

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.

Results of Operations – Three-Month Period Ended August 31, 2024 Compared to the Three-Month Period Ended August 31, 2023

Revenue. Revenue for the three months ended August 31, 2024 was \$8,066,715 as compared to \$7,869,875 for the same period in 2023, a 3% increase.

Processing and Storage Fees. Processing and storage fee revenue is attributable to a 5% increase in recurring annual storage fee revenue offset by a 14% decrease in the number of new domestic cord blood specimens processed for three months ended August 31, 2024 versus the same period in 2023.

Product Revenue. For the three months ended August 31, 2024, revenue from the product sales was \$636 compared to \$2,543 for the three months ended August 31, 2023.

Public Cord Blood Banking Revenue. For the three months ended August 31, 2024, revenue from the public cord blood banking sales was \$120,609 compared to \$4,383 for the three months ended August 31, 2023. The increase in revenue is due to the volatility of customer demand.

Cost of Sales. Cost of sales for the three months ended August 31, 2024 was \$2,125,846 as compared to \$2,156,187 for the same period in 2023, representing an 1% decrease. Cost of sales includes wages and supplies associated with process enhancements to the existing production procedures and quality systems in the processing of cord blood specimens at the Company's facility in Oldsmar, Florida and depreciation expense of approximately \$28,765 and \$35,000 for the three months ended August 31, 2024 and August 31, 2023, respectively. Cost of Sales also includes \$1,220 and \$982 for the three months ended August 31, 2024 and August 31, 2023, respectively, related to the costs associated with production of the PrepaCyte®-CB processing and storage system. Also included in Cost of Sales is \$265,536 and \$178,927 for the three months ended August 31, 2024 and August 31, 2023, respectively, related to the

public banks. The decrease in cost of sales for the three months ended August 31, 2024 versus August 31, 2023 is due to the decrease in the number of new domestic cord blood specimens processed during the three months ended August 31, 2024 versus August 31, 2023.

Selling, General and Administrative Expenses. Selling, general and administrative expenses for the three months ended August 31, 2024 were \$4,149,785 as compared to \$3,804,564 for the 2023 period representing a 9% increase. These expenses are primarily comprised of selling and marketing expenses, salaries and wages for personnel and professional fees.

Research, Development and Related Engineering Expenses. Research, development and related engineering expenses for the three months ended August 31, 2024 were \$193,933 as compared to \$344,132 for the 2023 period, of which \$91,362 and \$0, respectively, related to clinical trial expenses related to the Company's Master Services Agreement with Emmes (See Note 12).

Depreciation and Amortization. Depreciation and amortization (not included in Cost of Sales) for the three months ended August 31, 2024 was \$194,559 compared to \$281,277 for the 2023 period.

Change in the Fair Value of Contingent Consideration. Change in the fair value of the contingent consideration for the three months ended August 31, 2024 was an increase of \$12,702 compared to an increase of \$122,671 for the 2023 period. The contingent consideration is the earnout that Cord:Use is entitled to from the Company's sale of the public cord blood inventory from and after closing, described above. The contingent consideration was remeasured to fair value as of August 31, 2024. The estimated fair value of the contingent earnout was determined using a Monte Carlo analysis examining the frequency and mean value of the resulting earnout payments. The resulting value captures the risk associated with the form of the payout structure. The risk-neutral method is applied, resulting in a value that captures the risk associated with the form of the payout structure and the projection risk. The carrying amount of the liability may fluctuate significantly and actual amounts paid may be materially different from the estimated value of the liability.

Interest Expense. Interest expense during the three months ended August 31, 2024, was \$533,464 compared to \$469,642 during the comparable period in 2023, of which, \$260,055 and \$206,034, respectively, related to the credit and subordination agreements with Texas Capital Bank, National Association and Susser Bank as described in Note 5. Interest expense also includes of \$271,498 and \$263,609 as of the three months ended August 31, 2024 and August 31, 2023, respectively, for amounts due to the parties to the Company's revenue sharing agreements based on the Company's storage revenue collected.

Gains on Marketable Securities. Gains on marketable securities for the three months ended August 31, 2024 was \$522,458 compared to \$93,386 for the three months ended August 31, 2023.

Gain on Change in Fair Value of Derivative. Gain on the change in the fair value of a derivative for the three months ended August 31, 2024 was \$0 compared to \$282,731 in the 2023 period. The fair value is based on prevailing market data and derived from proprietary models based on well recognized financial principles and reasonable estimates about relevant future market conditions.

Income Taxes. U.S. income tax expense for the three months ended August 31, 2024 was \$328,186 compared to \$387,060 for the three months ended August 31, 2023.

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.

Liquidity and Capital Resources

On July 18, 2022, the Company entered into a Credit Agreement ("Susser Agreement") with Susser Bank, a Texas state bank, as administrative agent ("Susser") on behalf of itself and the other lenders (collectively, the "Lenders"), which was amended pursuant to an Amendment to Credit Agreement dated July 29, 2022, for (i) a revolving credit facility in an aggregate principal amount of up to \$10,000,000 (the "RCF"); and (ii) a term loan facility in an original principal amount of \$8,960,000 (the "Term Loan Susser" and together with the RCF collectively, the "Loans"). In connection with the RCF the Company entered into a Revolving Credit Note, in favor of Susser, in the stated principal amount of \$10,000,000 (the "RCF Note"), and in connection with the Term Loan the Company entered into a Term Note, in favor of Susser, in the stated principal amount of \$8,960,000 (the "Term Note" and together with RCF Note, collectively, the "Notes"). See Note 5.

The Company is exposed to interest rate risk related to its variable rate debt obligation under the Term Note. On March 27, 2023, the Company entered into an interest rate swap agreement with Susser to manage exposure to interest rate risk related to its variable rate debt obligation under the Term Note. The swap agreement had a notional amount equal to the Term Loan. The agreement is to pay the Company monthly SOFR plus 3.25% on the notional amount and the Company is to pay a fixed rate of interest equal to 6.96%. The effective date of the amended term loan was March 27, 2023 with a maturity date of July 29, 2032.

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 August 31, 2024, the Company had cash and cash equivalents of \$197,437 as compared to \$406,067 at November 30, 2023. The decrease in cash and cash equivalents during the nine months ended August 31, 2024 was primarily attributable to the following:

- Net cash from operating activities for the nine months ended August 31, 2024 was \$3,853,917 which was attributable to the Company's operating activities.
- Net cash from operating activities for the nine months ended August 31, 2023 was \$5,575,440 which was attributable to the Company's operating activities.
- Net cash used in investing activities for the nine months ended August 31, 2024 was \$3,761,250 which was primarily attributable to \$2,395,360 used to purchase equipment and \$1,759,828 used to purchase marketable securities, which was offset by the sale of marketable securities in the amount of \$1,358,732.
- Net cash used in investing activities for the nine months ended August 31, 2023 was \$6,163,176 which was primarily attributable to \$5,124,056 used to purchase property and equipment including a new facility and \$1,082,924 used to purchase marketable securities.
- Net cash used in financing activities for the nine months ended August 31, 2024 was \$301,297 which was primarily attributable to the payments of \$2,306,428 to partially repay the Susser Bank note payable and revolving line of credit described above and \$1,423,871 used to repurchase the Company's common stock which were partially offset by the proceeds received from the line of credit with Susser Bank described above in the amount of \$3,200,000.
- Net cash used in financing activities for the nine months ended August 31, 2023 was \$532,226 which was primarily attributable to the payments of \$615,690 to partially repay the TCB and Susser Bank note payable described above and \$799,036 used to repurchase the Company's common stock which was partially offset by the proceeds received from the line of credit with Susser Bank described above in the amount of \$950,000.

The Company has a revolving line of credit, described above. The balance as of August 31, 2024 was \$2,222,728 and is reflected on the accompanying balance sheet.

As previously disclosed, the Company entered into a Patent and Technology License Agreement dated effective as of February 23, 2021 (as amended, the "Duke License Agreement") with Duke University ("Duke"). Through the Duke License Agreement, the Company had anticipated, either directly or through its wholly-owned subsidiary, Celle Corp., exploring, testing, and administering treatments to patients with osteoarthritis and with conditions for which there are limited U.S. Food and Drug Administration ("FDA") approved therapies, including cerebral palsy, autism, and multiple sclerosis. In connection therewith, the Company had anticipated requiring capital to pay for the startup expenses relating to its planned infusion clinic, to finance clinical trials related to the Duke License Agreement, to develop biopharmaceutical manufacturing capabilities and for capital expenditures for software enhancements and purchases of equipment and obligations under the Duke License Agreement. Specifically, the Company had previously anticipated that over \$50 million would be needed over the next 5 years to fund its activities related to the Duke License Agreement.

However, on October 4, 2024, the Company filed a demand for arbitration (the "Arbitration Demand") against Duke with the American Arbitration Association ("AAA"). Among other things, the Company alleges in the Arbitration Demand that Duke fraudulently induced Cryo-Cell to enter the Duke License Agreement and further breached the agreement on various occasions. In connection therewith, the Company has requested that the arbitrator enter an award in the Company's favor and against Duke for damages in an amount to be proved at a final hearing, interest, attorneys' fees, and arbitration fees and costs, along with all other relief to which the Company is entitled at law or in equity. Cryo-Cell has notified Duke that it believes such damages exceed \$100 million.

As result of the Company's Arbitration Demand against Duke, the Company currently is unable to predict its funding needs for activities related to the Duke License Agreement. Until the Duke arbitration claims are resolved, the Company does not anticipate making further investments (other than the completion of a comparability study estimated to cost less than \$350,000 in additional capital) in activities related to the Duke License Agreement. The opening of the Cryo-Cell Institute for Cellular Therapies is also on pause and the Company can make no assurances as to when it will be opened. Additionally, the proposed spinoff of Celle Corp. is also on hold and may not take place depending on the final outcome of the Duke dispute.

The Company anticipates that its cash and cash equivalents, marketable securities and cash flows from operation, together with external sources of capital will be sufficient to fund its known cash needs for at least the next 12 months. However, 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. Additionally, depending in part on the outcome of the Duke Arbitration Demand, the Company may require capital to pay for the startup expenses relating to its planned infusion clinic, to finance clinical trials related to

the Duke License Agreement, to develop biopharmaceutical manufacturing capabilities and for capital expenditures for software enhancements and purchases of equipment and obligations under the Duke License Agreement. While we previously anticipated that over \$50 million would be needed over the next 5 years to fund its activities related to the Duke License Agreement, as result of the Company's Arbitration Demand against Duke, as discussed further in Note 12, the Company currently is unable to predict its funding needs for those activities. Until the Duke arbitration claims are resolved, the Company does not anticipate making further investments (other than the completion of a comparability study estimated to cost less than \$350,000 in additional capital) in activities related to the Duke License Agreement. However, if required to continue to invest in the Duke License Agreement, the Company anticipates funding the related capital expenditures with cash-on-hand, cash flows from future operations, the Company's revolving line of credit (see Note 5), potential additional debt financing and potential equity sales. There can be no assurances that the Company will be able to obtain such additional debt or equity financing on favorable terms or at all. If expected increases in revenues are not realized, or if expenses are higher than anticipated, or if the Company is unable to obtain additional financing, the Company will 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. Any reductions in expenditures, if necessary, may have an adverse effect on the Company's business operations, including sales activities and the development of new services and technology.

See, "Note 12" and "Risk Factors".

Critical Accounting Policies

This discussion and analysis of our financial condition and results of operations is based on our consolidated financial statements, which have been prepared in accordance with U.S. generally accepted accounting principles. The preparation of these financial statements requires us to make judgments, estimates, and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses and disclosures of contingent assets and liabilities. For a full discussion of our accounting policies please refer to Note 1 to the Consolidated Financial Statements included in our 2023 Annual Report on Form 10-K filed with the SEC on February 28, 2024. Our most critical accounting policies and estimates include: recognition of revenue and the related allowance for doubtful accounts, stock-based compensation, income taxes and license and revenue sharing agreements. We continually evaluate our judgments, estimates and assumptions. We base our estimates on the terms of underlying agreements, historical experience and other factors that we believe are reasonable based on the circumstances, the results of which form our management's basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. There have been changes to our critical accounting policies and estimates from the information provided in Item 7, *Management's Discussion and Analysis of Financial Condition and Results of Operations* included in our 2023 Annual Report on Form 10-K. Please refer to Note 1 to the Consolidated Financial Statements.

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 3. Quantitative and Qualitative Disclosures About Market Risk.

Not applicable.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Based on their most recent review, as of the end of the period covered by this report, the Company's principal executive officers and principal financial officer have concluded that the Company's disclosure controls and procedures were fully 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 officers and principal financial officer, as appropriate to allow timely decisions regarding required disclosure and are effective to ensure that such information is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms.

Changes in Internal Control Over Financial Reporting

There were no other changes in the Company's internal controls over financial reporting during the nine months ended August 31, 2024 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.

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.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

On January 6, 2023, a complaint styled Lindsey Lehr v. Cryo-Cell International, Inc., Case No. 50-2023-CA-000091, was filed in the Circuit Court for Palm Beach County, Florida, naming the Company as defendant and asserting claims on behalf of a putative class of individuals who entered agreements with the Company for umbilical cord blood storage services since May 2018. The complaint alleges that the Company's advertising does not accurately represent the value and efficacy of its services and asserts claims (and seeks unspecified damages) under Florida law. On March 14, 2023, the Company removed the case to the United States District Court for the Southern District of Florida (Case No. 9:23-cv-80405-AMC), and on March 21, 2023, moved to compel arbitration and stay the case. On October 10, 2023, the Court granted the Company's motion to compel arbitration and stayed the case. The Company has not yet responded to the complaint. The Company believes the plaintiff's claims are without merit and intends to contest the action vigorously. The Company believes that the resolution of this matter 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 outcome or resolution of the claims asserted, which could negatively and materially impact the Company's business, consolidated financial position and results of operations. 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.

On October 4, 2024, the Company filed a demand for arbitration (the "Arbitration Demand") against Duke with the American Arbitration Association ("AAA"), alleging that Duke fraudulently induced Cryo-Cell to enter the Duke License Agreement and breached the agreement on various occasions. The Arbitration Demand includes five counts against Duke, as follows: Count I – Breach of the Duke License Agreement; Count II – Breach of Implied Contractual Covenant of Good Faith and Fair Dealing; Count III – Fraudulent Inducement to Enter the Duke License Agreement; Count IV – Violation of North Carolina's Unfair Trade Practices Act; and Count V – Unjust Enrichment. In connection therewith, the Company has requested that the arbitrator enter an award in the Company's favor and against Duke for damages in an amount to be proved at a final hearing, interest, attorneys' fees, and arbitration fees and costs, along with all other relief to which the Company is entitled at law or in equity. As of October 15, 2024, Duke has not responded to the Arbitration Demand. See "Note 12" and "Risk Factors" for additional information regarding Duke.

ITEM 1A. RISK FACTORS

An investment in our common stock involves a high degree of risk. You should carefully consider the risks described below before making an investment decision in our securities. These risk factors are effective as of the date of this Form 10-Q and shall be deemed to be modified or superseded to the extent that a statement contained in our future filings modifies or replaces such statement. All of these risks may impair our business operations. The forward-looking statements in this Form 10-Q involve risks and uncertainties and actual results may differ materially from the results we discuss in the forward-looking statements. If any of the following risks actually occur, our business, financial condition or results of operations could be materially adversely affected. In that case, the trading price of our stock could decline, and you may lose all or part of your investment.

Risk related to our business.

We operate in a rapidly changing environment that involves a number of risks, some of which are beyond our control. A number of these risks are listed below. These risks could affect actual future results and could cause them to differ materially from any forward-looking statements we have made. You should carefully consider the risks described below. The risks and uncertainties described below are not the only ones we face. Any of the risks described below could significantly and adversely affect our business, prospects, financial condition or results of operations.

There is uncertainty with regard to whether we will be able to maximize shareholder value through the completion of a strategic transaction or successfully spinoff Celle Corp.

On February 22, 2024, the Company formed its wholly owned Delaware subsidiary, Celle Corp. Celle Corp. was created to hold certain assets of Cryo-Cell not directly associated with the recurring revenue stream from privately banked, umbilical cord blood specimens. The Duke Agreement has been transferred to Celle Corp. and other assets and liabilities are expected to be transferred in the near future. As previously disclosed, the Company's Board of Directors has authorized the spin-off of Celle Corp. to the Company's shareholders and to explore all strategic alternatives for the Company (post spin-off) to maximize shareholder value. There can be no assurance that any such transaction or spinoff will take place. There are several conditions that must first be satisfied, including obtaining certain third party consents, such as that of the Company's lender. If the Company is unable to spinoff Cell Corp., it will continue to own Cell Corp. and will continue to be obligated under the Duke Agreement and related agreements, such as the Duke Research Agreement and the Master Services Agreement with Emmes Biopharma Services LLC, all of which impose significant funding obligations, which could negatively impact the Company's financial condition.

Our common stock may be delisted from NYSE American LLC ("NYSE") if we fail to comply with continued listing standards.

If we fail to meet any of the continued listing standards of the NYSE, our common stock could be delisted from the exchange. These continued listing standards include specifically enumerated criteria, including compliance with the NYSE's corporate governance requirements.

If we fail to comply with the NYSE's continued listing standards, we may be delisted from the NYSE. Delisting of the common stock could depress the price of our stock, substantially limit liquidity of our common stock and materially adversely affect our ability to raise capital on terms acceptable to us, or at all. In such event, it could become more difficult to dispose of, or obtain accurate price quotations for, our common stock, and there would likely also be a reduction in our coverage by securities analysts and the news media, which could cause the price of our common stock to decline further.

We may need to raise additional capital.

The Company anticipates that its cash and cash equivalents, marketable securities and cash flows from operations, together with external sources of capital will be sufficient to fund its known cash needs for at least the next 12 months. However, cash flows from operations will depend primarily upon revenues from sales of its umbilical cord blood and cord tissue cellular storage services and managing discretionary expenses. Additionally, depending in part on the outcome of the Duke Arbitration Demand, the Company may require capital to pay for the startup expenses relating to its planned infusion clinic, to finance clinical trials related to the Duke License Agreement, to develop biopharmaceutical manufacturing capabilities and for capital expenditures for software enhancements and purchases of equipment and obligations under the Duke License Agreement. While the Company previously anticipated that over \$50 million would be needed over the next 5 years to fund its activities related to the Duke License Agreement, as result of the Company's Arbitration Demand against Duke, as discussed further in Note 12, the Company currently is unable to predict its funding needs for those activities. Until the Duke arbitration claims are resolved, the Company does not anticipate making further investments (other than the completion of a comparability study estimated to cost less than \$350,000 in additional capital) in activities related to the Duke License Agreement. However, if required to continue to invest in the Duke License Agreement, the Company anticipates funding the related capital expenditures with cash-on-hand, cash flows from future operations, the Company's revolving line of credit (see Note 5), potential additional debt financing and potential equity sales. There can be no assurances that the Company will be able to obtain such additional debt or equity financing on favorable terms or at all. If expected increases in revenues are not realized, or if expenses are higher than anticipated, or if the Company is unable to obtain additional financing, the Company will 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. Any reductions in expenditures, if necessary, may have an adverse effect on the Company's business operations, including sales activities and the development of new services and technology.

We may not be able to successfully grow or operate our business.

Our business may decline, may not grow or may grow more slowly than expected. There can be no assurance that we will be able to grow or effectively operate our business. To the extent we are unable to achieve growth in our business we may continue to incur losses. We cannot assure you that we will be successful or make progress in the growth and operation of our business. Our success will depend in large part on widespread market acceptance of cryopreservation of stem cells. Our current and future expense levels are based on our operating plans and estimates of future revenues and are subject to increase as we implement our strategy. We may be unable to adjust spending in a timely manner to compensate for any unexpected revenue shortfall. Accordingly, any significant shortfall in revenues would likely have an immediate material adverse effect on our business, operating results and financial condition. Further, if we should substantially increase our operating expenses to increase sales and marketing or to develop our technology and cord blood processing and storage systems, and such expenses are not subsequently followed by increased revenues, our operating performance and results would be adversely affected and if sustained could have a material adverse effect on our business.

The Company's operations and performance depend significantly on global and regional economic conditions.

Adverse macroeconomic conditions, including inflation, slower growth or recession, new or increased tariffs, changes to fiscal and monetary policy, tighter credit, higher interest rates, high unemployment and currency fluctuations could materially adversely affect demand for the Company's products and services. In addition, consumer confidence and spending could be adversely affected in response to financial market volatility, negative financial news, conditions in the real estate and mortgage markets, declines in income or asset values, changes to fuel and other energy costs, labor and healthcare costs and other economic factors. A downturn in the economic environment could also lead to increased credit and collectability risk on the Company's receivables, limitations on the Company's ability to issue new debt and reduced liquidity. These and other economic factors could materially adversely affect the Company's business, results of operations, financial condition and growth.

Because our industry is subject to rapid technological and therapeutic changes and new developments, our future success will depend on the continued viability of the use of stem cells.

Our success depends to a significant extent upon our ability to enhance and expand the use of and utility of our services so that they gain increased market acceptance. There can be no assurance that expectant parents will use our services or that our services will provide competitive advantages with current or future technologies. Failure to achieve increased market acceptance could have a material adverse effect on our business, financial condition and results of operations. The use of stem cells in the treatment of disease is subject to potentially revolutionary technological, medical and therapeutic changes. Future technological and medical developments could render the use of stem cells and our equipment obsolete and unmarketable. We may incur significant costs in replacing or modifying equipment in which we have already made a substantial investment prior to the end of its anticipated useful life. In addition, there may be significant advances in other treatment methods, such as genetics, or in disease prevention techniques, which could significantly reduce the need for the services we provide.

If our umbilical cord blood stem cell storage services do not achieve continued market acceptance, we will not be able to generate revenue necessary to support our business.

We anticipate that service fees from the processing and storage of umbilical cord blood stem cells will continue to comprise a substantial majority of our revenue in the future and, therefore, our future success depends on the successful and continued market acceptance of this service. Broad use and acceptance of our service requires marketing expenditures and education and awareness of consumers and medical practitioners, and the time and expense required to accomplish such education and awareness of our services and its potential benefits could adversely affect market acceptance. Successful commercialization of our services will also require that we satisfactorily address the needs of various medical practitioners that constitute a target market to reach consumers of our services and to address potential resistance to recommendations for our services. If we are unable to continue to gain market acceptance of our services, we will not be able to generate sufficient revenue to remain profitable.

We may fail to successfully manufacture MSCs.

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 stromal cells ("MSCs"). It is believed that MSCs 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 are currently being used in many clinical trials. While there is much promise related to MSCs, we may fail to successfully or profitably manufacture and store MSCs, including as a result of negative results in clinical trials for efficacy. The outcome of clinical trials is inherently uncertain.

Clinical development is lengthy and uncertain.

Our public blood bank research involves clinical testing, which is expensive, complex and lengthy, and subject to various regulations, including the "Common Rule." The Common Rule is a rule of ethics in the United States regarding biomedical and behavioral research involving human subjects. It governed Institutional Review Boards for oversight of human research. It is encapsulated in the 1991 revision to the U.S. Department of Health and Human Services Title 45 CFR 46 Subparts A, B, C and D. Subpart A. The outcome of clinical trials is inherently uncertain. There is a high rate of attrition for product candidates proceeding through clinical trials and most investigational medicines that commence clinical trials are never approved as products. We may not be able to initiate, may experience delays in, or may have to discontinue clinical trials for our investigational treatments. We and our strategic collaborators, including Duke, also may experience unforeseen events during, or as a result of, any clinical trials that we or they conduct that could delay or prevent us or them from successfully developing our investigational medicines and gaining approval from regulators. Delays or other events that might prevent us from proceeding with clinical trials include:

- regulators, Institutional Review Boards (IRBs), or ethics committees may not authorize us or our investigators to commence a clinical trial or conduct a clinical trial at a prospective trial site;
- the outcome of our preclinical studies and our early clinical trials may not be predictive of the success of later clinical trials, and interim results of a clinical trial do not necessarily predict final results;
- we may be unable to establish or achieve clinically meaningful endpoints for our studies;
- if we make changes to our investigational medicines after clinical trials have commenced (which we have done in the past), we may be required to repeat earlier stages or delay later stages of clinical testing;
- clinical trials of any investigational medicines may fail to show safety or efficacy, or produce negative or inconclusive results, and we may decide, or regulators may require us to conduct additional nonclinical studies or clinical trials, or we may decide to abandon product development programs; and

•regulators may impose a complete or partial clinical hold on a trial, or we or our investigators, IRBs, or ethics committees may elect to suspend or terminate clinical research or trials for various reasons, including noncompliance with regulatory requirements or a finding that the participants are being exposed to an unacceptable benefit-risk ratio.

Any delay in developing assays that are acceptable to the FDA or other regulators could delay the start of future clinical trials. Further, the FDA or other regulators may change the requirements for approval even after they have reviewed and commented on the design for clinical trials. Significant preclinical or nonclinical testing and studies or clinical trial delays for our investigational treatments could allow our competitors to bring products to market before we do.

Our product candidates are subject to substantial government regulation, including the regulation of nonclinical testing and clinical trials. If we are unable to obtain regulatory approval for our product candidates, our ability to generate revenues related to such product candidate will be negatively impacted.

Most of the product candidates we are developing must undergo rigorous nonclinical testing and clinical trials and an extensive regulatory approval process before they can be marketed in the United States or internationally. If we fail to obtain regulatory approval for our product candidates, we may have to cease further development. Clinical trials on our product candidates are expected to take several years to fully complete. The commencement or completion of nonclinical studies or clinical trials can be delayed or prevented for a number of reasons, including:

- limitations directly caused by, or restrictions imposed in response to, the COVID-19 pandemic, including our ability to conduct research and development and clinical trials, to engage or continue to engage with third-party contractors and suppliers or to comply with regulatory obligations relating to our business;
- an inability to raise sufficient capital to commence, conduct, or complete clinical trials;
- findings in nonclinical trials;
- difficulties obtaining regulatory approval to commence a clinical trial or complying with conditions imposed by a regulatory authority regarding the scope or term of a clinical trial;
- clinical trials also may be delayed or terminated as a result of ambiguous or negative interim results. In addition, a clinical trial may be suspended or terminated by us, the FDA, the board overseeing the trial, or other regulatory authorities due to a number of factors, including:
 - failure to conduct the clinical trial in accordance with regulatory requirements or our clinical protocols;
 - inspection of the clinical trial operations or trial sites by the FDA or other regulatory authorities;
 - inspection of manufacturing and drug packaging operations by regulatory authorities;
 - unforeseen safety issues or lack of effectiveness; and
 - lack of adequate funding to continue the clinical trial.

We cannot assure you that clinical trials will demonstrate the safety or effectiveness of any of our product candidates, or will otherwise satisfy regulatory requirements. Our nonclinical studies or clinical trials may produce negative or inconclusive results, there may be inconsistencies between early clinical trial results and results obtained in later clinical trials, and we may decide, or regulators may require us, to conduct additional nonclinical studies or clinical trials. Moreover, nonclinical and clinical data are often susceptible to varying interpretations and analyses, and many companies that have believed their product candidates performed satisfactorily in nonclinical studies and clinical trials have nonetheless failed to obtain FDA approval for their products. If we are unable to resolve the FDA's concerns, we will not be able to obtain regulatory approval for these product candidates.

The pre-marketing approval process can be particularly expensive, uncertain and lengthy, and a number of products for which FDA or other governmental regulatory approval has been sought by other companies have never been approved for marketing. In

addition to testing and approval procedures, extensive regulations also govern marketing, manufacturing, distribution, labeling, and record-keeping procedures. If we do not comply with applicable regulatory requirements, such violations could result in warning letters, non-approval, suspensions of regulatory approvals or ongoing clinical trials, civil penalties and criminal fines, product seizures and recalls, operating restrictions, injunctions, and criminal prosecution.

We may encounter such delays and rejection of our product candidates by the FDA or other regulatory authority may also adversely affect our business. Such delays or rejection may be encountered due to, among other reasons, government or regulatory delays, lack of efficacy during clinical trials, unforeseen safety issues, or changes in regulatory policy during the period of product development. More stringent regulatory approval processes in product clearance and enforcement activities could result in our experiencing longer approval cycles, more uncertainty, greater risk, and higher expenses. Even if regulatory approval of a product is granted, this approval may entail limitations on uses for which the product may be labeled and promoted. It is possible, for example, that we may not receive FDA approval to market products based on our licensed, patented product candidates for different indications or to market updated products that represent extensions of our basic product candidates. In addition, we may not receive FDA approval to export our products based on our licensed, patented product candidates in the future, and countries to which products are to be exported may not approve them for import.

The stem cell preservation market is increasingly competitive.

Stem cell preservation is becoming an increasingly competitive business. Our business faces competition from other operators of stem cell preservation businesses and providers of stem storage services. Certain of our competitors may have greater financial and other resources than us. Competitors with greater access to financial resources may enter our markets and compete with us. In the event that we are not able to compete successfully, our business may be adversely affected and competition may make it more difficult for us to grow our revenue and maintain our existing business on terms that are favorable to us.

A failure in the performance of our cryopreservation storage facility or systems, or those of Duke could harm our business and reputation.

To the extent our cryopreservation storage service, or the storage by Duke with regard to our public cord blood specimens, is disrupted, discontinued or the performance is impaired, our business and operations could be adversely affected. Any failure, including network, software or hardware or equipment failure, that causes a material interruption or discontinuance in our cryopreservation storage of stem cell specimens could result in stored specimens being damaged and unable to be utilized. Specimen damage, including loss in transit to the Company or loss of bulk shipments to its secondary storage site, could result in litigation against us and reduced future revenue to us, which in turn could be harmful to our reputation. Our insurance may not adequately compensate us for any losses that may occur due to any failures in our system or interruptions in our ability to maintain proper, continued, cryopreservation storage services. Any material disruption in our ability to maintain continued uninterrupted storage systems could have a material adverse effect on our business, operating results and financial condition. Our systems and operations are vulnerable to damage or interruption from fire, flood, equipment failure, break-ins, tornadoes and similar events for which we do not have redundant systems or a formal disaster recovery plan and may not carry sufficient business interruption insurance to compensate us for losses that may occur.

Our future success depends on our ability to retain our key personnel and to attract, retain and motivate qualified personnel.

Our future success depends upon our ability to retain our key management and other personnel and will also depend in large part on our ability to attract and retain additional qualified doctors, nurses, scientists, software developers, bioinformaticists, operations personnel, sales and marketing personnel, and business development personnel. Competition for these types of employees is intense due to the limited number of qualified professionals and the high demand for them, particularly in the Tampa Bay area of Florida, where our headquarters are located. We have in the past experienced difficulty in recruiting qualified personnel, especially in the area of sales. Failure to attract, assimilate, and retain personnel would have a material adverse effect on our business and potential growth.

Because our industry is subject to rapid technological and therapeutic changes and new developments, our future success will depend on the continued viability of the use of stem cells.

Our success depends to a significant extent upon our ability to enhance and expand the use of and utility of our services so that they gain increased market acceptance. There can be no assurance that expectant parents will use our services or that our services will provide competitive advantages with current or future technologies. Failure to achieve increased market acceptance could have a material adverse effect on our business, financial condition and results of operations. The use of stem cells in the treatment of disease is subject to potentially revolutionary technological, medical and therapeutic changes. Future technological and medical developments could render the use of stem cells and our equipment obsolete and unmarketable. We may incur significant costs in replacing or modifying equipment in which we have already made a substantial investment prior to the end of its anticipated useful life. In addition, there may

be significant advances in other treatment methods, such as genetics, or in disease prevention techniques, which could significantly reduce the need for the services we provide.

Our future success depends on our ability to retain our key personnel and to attract, retain and motivate qualified personnel.

Our future success depends upon our ability to retain our key management and other personnel and will also depend in large part on our ability to attract and retain additional qualified software developers, bioinformaticists, operations personnel, sales and marketing personnel, and business development personnel. Competition for these types of employees is intense due to the limited number of qualified professionals and the high demand for them, particularly in the Tampa Bay area of Florida, where our headquarters are located. We have in the past experienced difficulty in recruiting qualified personnel, especially in the area of sales. Failure to attract, assimilate, and retain personnel would have a material adverse effect on our business and potential growth.

There is uncertainty with regard to the outcome of the Duke Arbitration Demand.

As discussed in Note 12, on October 4, 2024, the Company filed a demand for arbitration (the “Arbitration Demand”) against Duke with the American Arbitration Association (“AAA”), alleging, among other things, that Duke breached the Duke License Agreement, breached the implied contractual covenant of good faith and fair dealing, fraudulently induced the Company to enter the Duke License Agreement, and violated North Carolina’s Unfair Trade Practices Act. In connection therewith, the Company has requested that the arbitrator enter an award in the Company’s favor and against Duke for damages in an amount to be proved at a final hearing, interest, attorneys’ fees, and arbitration fees and costs, along with all other relief to which the Company is entitled at law or in equity. As of October 15, 2024, Duke has not responded to the Arbitration Demand. The Company cannot currently predict the outcome of the arbitration or Duke’s response thereto, or the timing thereof. It is possible that Duke could assert affirmative defenses and counterclaims against the Company and that there could be an unfavorable outcome or resolution of any claims asserted, which could negatively and materially impact the Company’s business, consolidated financial position and results of operations. Litigation is inherently uncertain and expensive and there can be no assurance that the Company will prevail or how long such proceedings may last. The Company is not currently including an estimate of legal fees and other related litigation costs in its estimate of loss contingencies.

There is uncertainty with regard to whether we will be able to maximize shareholder value through the Duke License Agreement.

On February 22, 2024, the Company formed its wholly owned Delaware subsidiary, Celle Corp., to hold certain assets of Cryo-Cell not directly associated with the recurring revenue stream from privately banked, umbilical cord blood specimens. The Duke License Agreement has been transferred to Celle Corp. and other assets and liabilities were expected to be transferred to Celle Corp. in connection therewith. As previously disclosed, the Company’s Board of Directors has authorized the spin-off of Celle Corp. to the Company’s shareholders and to explore all strategic alternatives for the Company (post spin-off) to maximize shareholder value. As discussed further in Note 12, on October 4, 2024, the Company filed the Arbitration Demand against Duke, alleging that Duke fraudulently induced Cryo-Cell to enter the Duke License Agreement and breached the agreement on various occasions. As result of the Arbitration Demand against Duke, there can be no assurance that any such the spinoff or any contemplated strategic alternatives will take place. Furthermore, as further discussed in Note 12, there can be no assurances the Company will be able to commercialize the rights licensed under the Duke License Agreement or otherwise obtain the benefits of the Duke License Agreement. Nor can there be any assurances it will open the Cryo-Cell Institute for Cellular Therapies.

We are not assured of recouping our damages related to the Arbitration Demand against Duke nor our investment in the Duke License Agreement.

On October 4, 2024, the Company filed the Arbitration Demand against Duke with the AAA, alleging, among other things, that Duke is in breach of the Duke License Agreement, breached the implied contractual covenant of good faith and fair dealing, fraudulently induced the Company to enter into the Duke License Agreement, and violated North Carolina’s Unfair Trade Practices Act. In connection therewith, the Company has requested that the arbitrator enter an award in the Company’s favor and against Duke for damages in an amount to be proved at a final hearing, interest, attorneys’ fees, and arbitration fees and costs, along with all other relief to which the Company is entitled at law or in equity. Cryo-Cell has notified Duke that it believes such damages exceed \$100 million. The Company cannot currently predict the outcome of the arbitration or Duke’s response thereto. It is possible that Duke could assert affirmative defenses and counterclaims against the Company and that there could be an unfavorable outcome or resolution of any claims asserted, which could negatively and materially impact the Company’s business, consolidated financial position and results of operations. Litigation is inherently uncertain and there can be no assurance that the Company will prevail. The Company may not be able to recover all or any of its damages or all or any of its investment in the Duke License Agreement.

Risk Related to Government Regulation

If we do not obtain and maintain necessary domestic regulatory registrations, approvals and comply with ongoing regulations, we may not be able to market our services in the United States.

We are subject to substantial regulation. We are required to register with the FDA under the Public Health Service Act because of our ongoing cellular storage business and are 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, we are required to register this product as a Medical Device under the Federal Food, Drug, and Cosmetic Act which is also subject to FDA inspection. The Company is in compliance with these requirements, but not assurances can be made that we will be able to meet future regulatory requirements. The division of FDA which regulates HCT/Ps is the Center for Biologics Evaluation and Research (“CBER”). 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.
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.

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.

Upon execution of the acquisition of all of the assets of Cord:Use, the Company acquired the cord blood operations which included both public (PHS 351) and private (PHS 361) banks. The new PHS 351 product is distributed under an IND (10-CBA) maintained by the NMDP. The Company has continued the contract with Duke initiated by Cord:Use to manufacture, test, cryopreserve, store and distribute the public cord blood units. The units are listed on the NMDP Single Point of Access Registry and are available to transplant centers worldwide. The Company is reimbursed via cost recovery for public cord blood units distributed for transplant through the NMDP. The donation of cord blood units in the public cord blood banking program functions under The Health Insurance Portability and Accountability Act of 1996 (“HIPAA”) and the Company adheres to HIPAA rules. The FDA does not require establishments that manufacture drugs (including biological products) and devices that are HCT/Ps for use under an investigational new drug application (IND) (21 CFR Part 312) to register and list their HCT/Ps until the HCT/P is approved through a biologics license application (BLA), new drug application (NDA), or premarket approval application (PMA); or cleared through a premarket notification submission (510(k)).

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 a bag with separation media. The system is 510(k) 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.

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.

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

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.

We may be required to spend substantial amounts to comply with legislative and regulatory initiatives relating to patient privacy.

Regulations issued under the Health Insurance Portability and Accountability Act of 1996, or HIPAA, contain provisions that require us to adopt business procedures designed to protect the privacy of each of our patients' individual health information. 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 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's private cord blood bank operation 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 is possible 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.

Our failure to comply with laws related to hazardous materials could materially harm us.

We are subject to state and federal laws regulating the protection of employees who may be exposed to hazardous material and regulating the proper handling and disposal of that material. There are inherent risks in connection with the handling, storage, disposal, distribution, and/or use of the specimens. Although we believe that our safety procedures for handling and disposing of such materials comply with the standards prescribed by federal, state and local regulation and regulations of foreign jurisdictions, the risk of accidental contamination or injury from these materials cannot be completely eliminated. Individuals who use or come in contact with the specimens may file claims related to their use and these claims could result in litigation that could be expensive to defend or result in judgements that exceed our resources and our insurance coverage. Any such litigations and judgement could adversely affect our business, financial condition and results of operations. Although we believe we are in compliance with all applicable laws, a violation of such laws, or the future enactment of more stringent laws or regulations, could subject us to liability, or require us to incur costs that would have an adverse effect on us.

Risks Related to International Operations

Our international operations are subject to risk and we may not be able to successfully protect our intellectual property.

International licenses of our technology and services account for a portion of our income and our international growth may be limited if we are unable to successfully manage our international activities. We are subject to a number of challenges that relate to our international business activities. Our growth and future license income and return on investments from these sources will be impacted by these challenges, which include:

- failure of local laws to provide the same degree of protection against infringement of our intellectual property rights;
- certain laws and business practices that could prevent our business from operating or favor local competitors, which could slow or limit our growth in international markets;
- entering into licensing agreements with organizations capable of undertaking and sustaining operations;
- the expense of entering into licensing and investment arrangements in new foreign markets;

- changes in local political, economic, social, and labor conditions, which may adversely affect our business;
- risks associated with trade restrictions and foreign import requirements, including the importation and exportation of our solutions, as well as changes in trade, tariffs, restrictions or requirements;
- heightened risks of unethical, unfair or corrupt business practices, actual or claimed, in certain geographies;
- fluctuations in currency exchange rates, which may make doing business with us less appealing as our contracts are generally denominated in U.S. dollars;
- greater difficulty in enforcing contracts;
- lack of brand awareness that can make commercializing our products more difficult and expensive;
- management communication and integration problems resulting from cultural differences and geographic dispersion;
- the uncertainty and limitation of protection for intellectual property rights in some countries;
- potentially different pricing environments, longer payment cycles in some countries, increased credit risk, and higher levels of payment fraud;
- uncertainty regarding liability for products and services, including uncertainty as a result of local laws and lack of legal precedent;
- different employee/employer relationships, existence of workers' councils and labor unions, and other challenges caused by distance, language, and cultural differences, making it harder to do business in certain jurisdictions; and
- compliance with complex foreign and U.S. laws and regulations applicable to international operations may increase the cost of doing business in international jurisdictions. These numerous and sometimes conflicting laws and regulations include internal control and disclosure rules, data privacy requirements, research ethics and compliance laws, anti-corruption laws, and anti-competition regulations, among others. Violations of these laws and regulations could result in fines and penalties, criminal sanctions against us, our officers, or our employees, prohibitions on the conduct of our business and on our ability to offer our products and services in one or more countries, and could also materially affect our brand, our international expansion efforts, our ability to attract and retain employees, our business, and our operating results.

The occurrence of any one of these risks could harm our international business and, consequently, our results of operations. Additionally, operating in international markets requires significant management attention and financial resources. We cannot be certain that the investment and additional resources required to operate in other countries will produce desired levels of revenue or profitability.

We are subject to the Foreign Corrupt Practices Act.

The Foreign Corrupt Practices Act ("FCPA"), prohibits any U.S. individual or business from paying, offering, or authorizing payment or offering of anything of value, directly or indirectly, to any foreign official, political party or candidate for the purpose of influencing any act or decision of the foreign entity in order to assist the individual or business in obtaining or retaining business. The FCPA also obligates companies whose securities are listed in the United States to comply with accounting provisions requiring the company to maintain books and records that accurately and fairly reflect all transactions of the corporation, including international subsidiaries, and to devise and maintain an adequate system of internal accounting controls for international operations. Activities that violate the FCPA, even if they occur wholly outside the United States, can result in criminal and civil fines, imprisonment, disgorgement, oversight, and debarment from government contracts.

The Company's business may be impacted by political events, international trade disputes, war, terrorism, natural disasters, public health issues, industrial accidents and other business interruptions.

Political events, international trade disputes, war, terrorism, natural disasters, public health issues, industrial accidents and other business interruptions, such as the current Ukrainian-Russian conflict could harm or disrupt international commerce and the global economy, and could have a material adverse effect on the Company and its customers, suppliers, cellular network carriers and other partners. International trade disputes could result in tariffs and other protectionist measures that could adversely affect the Company's business.

The Ukrainian-Russian conflict has caused market volatility, a sharp increase in certain commodity prices, such as wheat and oil, and an increasing number and frequency of cybersecurity threats. So far, we have not experienced any direct impact from the conflict and, as our business is conducted primarily in the United States, we are probably less vulnerable than companies with international operations. Nevertheless, we will continue to monitor the situation carefully and, if necessary, take action to protect our business, operations and financial condition.

Risks Related to Information Technology

Our information systems are critical to our business, and a failure of those systems could materially harm us.

We depend on our ability to store, retrieve, process and manage a significant amount of information. If our information systems fail to perform as expected, or if we suffer an interruption, malfunction or loss of information processing capabilities, it could have a material adverse effect on our business.

If we experience a significant breach of data security or disruption in our information systems, our business could be adversely affected.

We rely on various information systems to manage our operations and to store information, including sensitive data such as confidential business information and personally identifiable information. These systems have been and continue to be vulnerable to interruption or malfunction, including due to events beyond our control, and to unauthorized access, computer hackers, ransomware, viruses, and other security problems. Failure of these systems or any significant breach of our data security could have an adverse effect on our business and may materially adversely affect our operating results and financial condition.

Data security breaches could result in loss or misuse of information, which could, in turn, result in potential regulatory actions or litigation, including material claims for damages, compelled compliance with breach notification laws, interruption to our operations, damage to our reputation or could otherwise have a material adverse effect on our business, financial condition and operating results. Companies throughout our industry have been increasingly subject to a wide variety of security incidents, cyber-attacks and other attempts to gain unauthorized access to networks or sensitive information. While we have implemented and continue to implement cybersecurity safeguards and procedures, these safeguards have been vulnerable to attack. As cyber threats continue to evolve, we may be required to expend additional resources to enhance our cybersecurity measures or to investigate or remediate any vulnerabilities or breaches.

Although we maintain insurance to protect ourselves in the event of a breach or disruption of certain of our information systems, we cannot ensure that the coverage is adequate to compensate for any damages that may be incurred.

Increasing use of social media could give rise to liability, breaches of data security, or reputational damage.

We and our employees are increasingly utilizing social media tools as a means of communication both internally and externally. Despite our efforts to monitor evolving social media communication guidelines and comply with applicable rules, there is risk that the use of social media by us or our employees to communicate about our products or business may cause us to be found in violation of applicable laws and regulations. In addition, our employees may knowingly or inadvertently make use of social media in ways that may not comply with our social media policy or other legal or contractual requirements, which may give rise to liability, lead to the loss of trade secrets or other intellectual property, or result in public exposure of personal information of our employees, clinical trial patients, customers, and others. Furthermore, negative posts or comments about us or our products in social media could seriously damage our reputation, brand image, and goodwill.

Some of our products contain open source software, which may pose particular risks to our proprietary software, technologies, products and services in a manner that could harm our business.

We use open source software in our products and anticipate using open source software in the future. The terms of many open source licenses to which we are subject have not been interpreted by U.S. or foreign courts, and there is a risk that open source software

licenses could be construed in a manner that imposes unanticipated conditions or restrictions on our ability to provide or distribute our products or services. Additionally, we could face claims from third parties claiming ownership of, or demanding release of, the open source software or derivative works that we developed using such software, which could include proprietary source code, or otherwise seeking to enforce the terms of the applicable open source license. These claims could result in litigation and could require us to make our software source code freely available, purchase a costly license or cease offering the implicated products or services unless and until we can re-engineer them to avoid infringement. This re-engineering process could require us to expend significant additional research and development resources, and we cannot guarantee that we will be successful.

Additionally, the use of certain open source software can lead to greater risks than use of third-party commercial software, as open source licensors generally do not provide warranties or controls on the origin of software. There is typically no support available for open source software, and we cannot ensure that the authors of such open source software will implement or push updates to address security risks or will not abandon further development and maintenance. Many of the risks associated with the use of open source software, such as the lack of warranties or assurances of title or performance, cannot be eliminated, and could, if not properly addressed, negatively affect our business. We have processes to help alleviate these risks, including a review process for screening requests from our developers for the use of open source software, but we cannot be sure that all open source software is identified or submitted for approval prior to use in our products. Any of these risks could be difficult to eliminate or manage, and, if not addressed, could adversely affect our business, financial condition and results of operations.

Risks Related to Intellectual Property

We may not be able to protect our intellectual property rights throughout the world.

Filing, prosecuting and defending patents on our product candidates throughout the world could be expensive. Competitors may use our technologies in jurisdictions where we have not obtained patent protection to develop their own products and further may export otherwise infringing products to territories where we have patent protection, but enforcement is not as strong as that in the United States. These products may compete with our products in jurisdictions where we do not have any issued patents and our patent claims or other intellectual property rights may not be effective or sufficient to prevent them from so competing. We do not have any registered patents. Many companies have encountered significant problems in protecting and defending intellectual property rights in foreign jurisdictions. The legal systems of certain countries, particularly certain developing countries, do not favor the enforcement of patents and other intellectual property protection, which could make it difficult for us to stop the infringement of our patents or marketing of competing products in violation of our proprietary rights generally. Proceedings to enforce our patent rights in foreign jurisdictions could result in substantial cost and divert our efforts and attention from other aspects of our business.

If we are unable to protect our intellectual property from use by third parties, our ability to compete in the market will be harmed. There can be no assurance that we will not become subject to future patent infringement claims or litigation in a court of law, interference proceedings, or opposition to a patent granted in a foreign jurisdiction. The defense and prosecution of such intellectual property claims are costly, time-consuming, divert the attention of management and technical personnel and could result in substantial cost and uncertainty regarding our future viability. Future litigation or regulatory proceedings, which could result in substantial cost and uncertainty, may also be necessary to enforce our patent or other intellectual property rights or to determine the scope and validity of other parties' proprietary rights. Any public announcements related to such litigation or regulatory proceedings that we initiate, or that are initiated or threatened against us by our competitors, could adversely affect the price of our common stock. We also rely upon trade secrets, technical know-how and continuing technological innovation to develop and maintain our competitive position, and we typically require our employees, consultants and advisors to execute confidentiality and assignment of inventions agreements in connection with their employment, consulting or advisory relationships. There can be no assurance, however, that these agreements will not be breached or that we will have adequate remedies for any breach. Failure to protect our intellectual property would limit our ability to produce and/or market our products in the future and would likely have an adverse effect on the revenues generated by the sale or license of such intellectual property.

We may become subject to third parties' claims alleging infringement of their patents and proprietary rights, which could be costly, time consuming, and prevent the use of our technology solution.

We cannot assure you that third parties will not claim our current or future products or services infringe their intellectual property rights. Any such claims, with or without merit, could cause costly litigation that could consume significant management time. As the number of product and services offerings in our market increases and functionalities increasingly overlap, companies such as ours may become increasingly subject to infringement claims. These claims also might require us to enter into royalty or license agreements. If required, we may not be able to obtain such royalty or license agreements or obtain them on terms acceptable to us.

If our security measures are breached, or if our services are subject to attacks that degrade or deny the ability of users to access our platforms, our platforms and applications may be perceived as not being secure, customers and suppliers may curtail or stop using our services, and we may incur significant legal and financial exposure.

Our storage systems and the network infrastructure that are hosted by third-party providers involve the storage and transmission of healthcare data as well as proprietary information about organizations and programs, and security breaches could expose us to a risk of loss of this information, litigation, and potential liability. Our security measures may be breached due to the actions of outside parties, employee error, malfeasance, security flaws in the third-party hosting service that we rely upon, or any number of other reasons and, as a result, an unauthorized party may obtain access to our suppliers' or customers' data. Although we have never had any breach of data in our third-party provider's environment, any future breach or unauthorized access could result in significant legal and financial exposure, damage to our reputation, and a loss of confidence in the security of our platforms and applications that could potentially have an adverse effect on our business. Because the techniques used to obtain unauthorized access, disable or degrade service, or sabotage systems change frequently and often are not recognized until launched against a target, we may be unable to anticipate these techniques or to implement adequate preventative measures on a timely basis. If an actual or perceived breach of our security occurs, the market perception of the effectiveness of our security measures could be harmed and we could lose suppliers and customers and we may have difficulty obtaining merchant processors or insurance coverage essential for our operations.

Risks Related to being a Public Company

We incur significant costs and demands as a result of operating as a public company.

We incur significant legal, accounting and other expenses to meet our obligations as a publicly traded company. In addition, the Sarbanes-Oxley Act, the Dodd-Frank Act, the listing requirements of the Nasdaq Stock Market and other applicable securities rules and regulations impose various requirements on public companies, including establishment and maintenance of effective disclosure and financial controls and corporate governance practices. Stockholder activism, the current political environment and the current high level of government intervention and regulatory reform may lead to substantial new regulations and disclosure obligations, which may lead to additional compliance costs and impact the manner in which we operate our business in ways that are not currently anticipated. Our management and other personnel need to devote a substantial amount of time to these compliance initiatives. Moreover, these rules and regulations increase our legal and financial compliance costs and will make some activities more time-consuming and costly. For example, these rules and regulations may make it difficult and expensive for us to maintain director and officer liability insurance coverage. As a result, it may be more difficult for us to attract and retain qualified individuals to serve on our board of directors or as our executive officers, which may adversely affect investor confidence in us and could cause our business or stock price to suffer.

If we fail to maintain an effective system of internal control over financial reporting in the future, we may not be able to accurately report our financial condition, results of operations or cash flows, which may adversely affect investor confidence in us and, as a result, the value of our common stock.

The Sarbanes-Oxley Act of 2002 requires, among other things, that we maintain effective internal controls for financial reporting and disclosure controls and procedures. We are required, under Section 404 of the Sarbanes-Oxley Act, to furnish a report by management on, among other things, the effectiveness of our internal control over financial reporting. This assessment includes disclosure of any material weaknesses identified by our management in our internal control over financial reporting. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting that results in more than a reasonable possibility that a material misstatement of annual or interim financial statements will not be prevented or detected on a timely basis. Section 404 of the Sarbanes-Oxley Act also requires, subject to an exemption for so long as we remain a "smaller reporting company," an attestation from our independent registered public accounting firm on the effectiveness of our internal control over financial reporting.

Our disclosure controls and procedures may not prevent or detect all errors or acts of fraud.

Our disclosure controls and procedures are designed to reasonably assure that information required to be disclosed by us in reports we file or submit under the Exchange Act is accumulated and communicated to management, recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC. We believe that any disclosure controls and procedures or internal controls and procedures, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. 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 an unauthorized override of the controls. Accordingly, because of the inherent limitations in our control system, misstatements or insufficient disclosures due to error or fraud may occur and not be detected.

Increasing scrutiny and changing expectations from investors, customers, and governments with respect to Environmental, Social and Governance ("ESG") policies and practices may cause us to incur additional costs or expose us to additional risks.

There has been increasing public focus and scrutiny from investors, governmental and nongovernmental organizations, and customers on corporate ESG practices. Our ESG practices may not meet the standards of all of our stakeholders and advocacy groups may campaign for further changes. A failure, or perceived failure, to respond to expectations of all parties could cause harm to our

business and reputation and have a negative impact on the market price of our securities. New government regulations could also result in new regulations and new or more stringent forms of ESG oversight and disclosures which may lead to increased expenditures for sustainability initiatives.

Our principal stockholders and management own a significant percentage of our stock and will be able to exert significant control over matters subject to stockholder approval.

Based upon shares of common stock outstanding as of August 31, 2024, our executive officers, directors, 5% stockholders (known to us through publicly available information) and their affiliates beneficially owned approximately 52% of our voting stock. Therefore, these stockholders have the ability to substantially influence us through this ownership position. For example, these stockholders, if they choose to act together, may be able to influence the election of directors, amendments of our organizational documents, or approval of any merger, sale of assets, or other major corporate transaction. This concentration of voting power could delay or prevent an acquisition of our company on terms that other stockholders may desire.

We may become subject to securities class action litigation, which can be expensive, divert management attention, and, if resolved unfavorably, expose us to significant liabilities.

We may become subject to litigation in the future that could result in substantial costs and a diversion of management's resources and attention. In addition, any adverse determination from future litigation could expose us to significant liabilities, which could have a material adverse effect on our business, financial condition, and results of operations.

We are a "smaller reporting company" and, as a result of the reduced disclosure and governance requirements applicable to smaller reporting companies, our common stock may be less attractive to investors.

We are a "smaller reporting company," meaning that we have a public float of less than \$250 million, have annual revenues of less than \$100 million during the most recently completed fiscal year and the value of our voting and nonvoting common stock held by non-affiliates on the last business day of our second fiscal quarter in that fiscal year is less than \$700.0 million. As a "smaller reporting company," we are subject to lesser disclosure obligations in our SEC filings compared to other issuers. Specifically, "smaller reporting companies" are able to provide simplified executive compensation disclosures in their filings, are exempt from the provisions of Section 404(b) of the Sarbanes-Oxley Act requiring that independent registered public accounting firms provide an attestation report on the effectiveness of internal control over financial reporting and have certain other decreased disclosure obligations in their SEC filings, including, among other things, only being required to provide two years of audited financial statements in annual reports. Decreased disclosures in our SEC filings due to our status a "smaller reporting company" may make it harder for investors to analyze our operating results and financial prospects.

We are responsible for the indemnification of our officers and directors.

Should our officers and/or directors require us to contribute to their defense, we may be required to spend significant amounts of our capital. Our certificate of incorporation, as amended, and bylaws, as amended, also provide for the indemnification of our directors, officers, employees, and agents, under certain circumstances, against attorney's fees and other expenses incurred by them in any litigation to which they become a party arising from their association with or activities on behalf of our company. This indemnification policy could result in substantial expenditures, which we may be unable to recoup. If these expenditures are significant or involve issues which result in significant liability for our key personnel, we may be unable to continue operating as a going concern.

Certain provision of our charter, bylaws and Delaware law may delay, defer or prevent a tender offer or takeover attempt that public stockholders might consider in their best interest.

Certain provisions of Delaware law, our certificate of incorporation and our bylaws could have the effect of delaying, deferring or discouraging another party from acquiring control of us. These provisions, which are summarized below, are expected to discourage certain types of coercive takeover practices and inadequate takeover bids. These provisions are also designed, in part, to encourage persons seeking to acquire control of us to first negotiate with our board of directors.

Certificate of Incorporation and Bylaws. Our certificate of incorporation and bylaws include provisions that:

- authorize the board of directors to issue, without stockholder approval, blank-check preferred stock that, if issued, could operate as a "poison pill" to dilute the stock ownership of a potential hostile acquirer to prevent an acquisition that is not approved by the board of directors;
- establish advance notice requirements for stockholder nominations of directors and for stockholder proposals that can be acted on at stockholder meetings;

- limit who may call stockholder meetings;
- require that any action to be taken by our stockholders be affected at a duly called annual or special meeting and not by written consent;
- provide that the board may increase the size of our board of directors and authorize the board to fill any vacancies on our board of directors by a majority of directors then in office;
- authorize us to indemnify officers and directors against losses that they may incur in investigations and legal proceedings resulting from their services to us, which may include services in connection with takeover defense measures; and
- establish the Court of Chancery of the State of Delaware, unless the Corporation consents to an alternative forum, as the sole and exclusive forum for certain for any current or former shareholder (including a current or former beneficial owner) to bring any claim relating to an internal matter, other than as to any claim as to which the Court of Chancery determines that there is an indispensable party not subject to the jurisdiction of the Court of Chancery (and the indispensable party does not consent to the personal jurisdiction of the Court of Chancery within ten days following such determination). Section 27 of the Exchange Act creates exclusive federal jurisdiction over all suits brought to enforce any duty or liability created by the Exchange Act or the rules and regulations thereunder. As a result, the exclusive forum provision will not apply to suits brought to enforce any duty or liability created by the Exchange Act or any other claim for which the federal courts have exclusive jurisdiction. Section 22 of the Securities Act creates concurrent jurisdiction for federal and state courts over all suits brought to enforce any duty or liability created by the Securities Act or the rules and regulations thereunder. As a result, the exclusive forum provision will not apply to suits brought to enforce any duty or liability created by the Securities Act or any other claim for which the federal and state courts have concurrent jurisdiction.

Delaware anti-takeover statute. We are subject to the provisions of Section 203 of the DGCL regulating corporate takeovers. In general, Section 203 prohibits a publicly-held Delaware corporation from engaging, under certain circumstances, in a business combination with an interested stockholder for a period of three years following the date the person became an interested stockholder unless:

- prior to the date of the transaction, the board of directors of the corporation approved either the business combination or the transaction which resulted in the stockholder becoming an interested stockholder; or
- upon completion of the transaction that resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced, excluding for purposes of determining the voting stock outstanding, but not the outstanding voting stock owned by the interested stockholder, (1) shares owned by persons who are directors and also officers and (2) shares owned by employee stock plans in which employee participants do not have the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer; or at or subsequent to the date of the transaction, the business combination is approved by the board of directors of the corporation and authorized at an annual or special meeting of stockholders, and not by written consent, by the affirmative vote of at least 66-2/3% of the outstanding voting stock which is not owned by the interested stockholder.

Generally, a “business combination” includes a merger, asset or stock sale, or other transaction resulting in a financial benefit to the “interested stockholder” and an “interested stockholder” is a person who, together with affiliates and associates, owns or, within three years prior to the determination of interested stockholder status, did own 15% or more of a corporation’s outstanding voting stock. We expect the existence of this provision to have an anti-takeover effect with respect to transactions our board of directors does not approve in advance. We also anticipate that Section 203 may discourage business combinations or other attempts that might result in a premium over the market price for the shares of common stock held by our stockholders. The provisions of DGCL, our certificate of incorporation and our bylaws could have the effect of discouraging others from attempting hostile takeovers and, as a consequence, they may also inhibit temporary fluctuations in the market price of our common stock that often result from actual or rumored hostile takeover attempts. These provisions may also have the effect of preventing changes in our management. It is possible that these provisions could make it more difficult to accomplish transactions that stockholders may otherwise deem to be in their best interests.

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

ISSUER PURCHASE OF EQUITY SECURITIES

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
June 1 - 30, 2024	2,000	\$ 8.20	—	1,212,540
July 1 - 31, 2024	—	\$ —	—	1,212,540
August 1 - 31, 2024	—	\$ —	—	1,212,540

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

(a) Exhibits

- 3.1 (1) [Amended and Restated Certificate of Incorporation](#)
- 3.2 (2) [Amended and Restated By-Laws](#)
- 10.3 (3) [Purchase Agreement between Scannell Properties #502, LLC and Cryo-Cell International, Inc. dated March 14, 2022.](#)
- 10.4 (4) [2022 Equity Incentive Plan.](#)
- 10.5 (5) [Credit Agreement between Cryo-Cell International, Inc and Susser Bank](#)
- 10.6 (5) [Amendment to the Credit Agreement between Cryo-Cell International and Susser Bank](#)
- 31.1 [Certification of Co-CEO Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.](#)
- 31.2 [Certification of Co-CEO Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.](#)
- 31.3 [Certification of CFO Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.](#)
- 32.1 [Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](#)
- 101.INS Inline XBRL Instance Document
- 101.SCH Inline XBRL Taxonomy Extension Schema With Embedded Linkbase Documents
- 104 Cover Page Interactive Data File (embedded within the Inline XBRL document)
 - (1) Incorporated by reference to the Company's Quarterly Report on Form 10-QSB for the quarter ended May 31, 2002.
 - (2) Incorporated by reference to the Company's Quarterly Report on Form 8-K filed on December 11, 2018.
 - (3) Incorporated by reference to the Company's Current Report on Form 8-K filed on March 16, 2022.
 - (4) Incorporated by reference to the Company's Quarterly Report on Form 10Q filed on April 13, 2022.
 - (5) Incorporated by reference to the Company's Quarterly Report on Form 10Q filed on October 18, 2022.

SIGNATURES

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

Cryo-Cell International, Inc.

/s/ David Portnoy
David Portnoy
Co-Chief Executive Officer

Cryo-Cell International, Inc.

/s/ Mark Portnoy
Mark Portnoy
Co-Chief Executive Officer

Cryo-Cell International, Inc.

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

Date: October 15, 2024

CERTIFICATION OF CO-CHIEF EXECUTIVE OFFICER

I, David Portnoy, certify that:

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

Dated: October 15, 2024

/s/ David Portnoy
David Portnoy

CERTIFICATION OF CO-CHIEF EXECUTIVE OFFICER

I, Mark Portnoy, certify that:

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

Dated: October 15, 2024

/s/ Mark Portnoy
Mark Portnoy

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Jill M. Taymans, certify that:

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

Dated: October 15, 2024

/s/ Jill M. Taymans

Jill M. Taymans

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

In connection with the Quarterly Report of Cryo-Cell International, Inc. (the "Company") on Form 10-Q for the quarter ended August 31, 2024 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

October 15, 2024

/s/ Mark Portnoy
Mark Portnoy
Co-Chief Executive Officer

October 15, 2024

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

October 15, 2024
