CRYO CELL INTERNATIONAL INC
Form 10KSB/A
March 14, 2003
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U.S.

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Amendment #1

to

FORM 10-KSB/A

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

For the fiscal year ended November 30, 2002

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

For the transition period from ____________ to _____________

Commission File Number 000-23386

CRYO-CELL INTERNATIONAL, INC.

(Exact Name of Small Business Issuer as specified in its charter)

Delaware	**22-3023093**
(State or other jurisdiction	**(I.R.S. Employer**
of incorporation or organization)	**Identification No.)**
3165 Mcmullen Booth Road,	
Bldg. B, Clearwater, FL	**33761**
(Address of principal executive offices)	**(Zip Code)**

Issuer s telephone number: (727) 450-8000

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

Title of each class	**Name of each exchange on which registered**
None	**NASDAQ**

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

Common Stock, par value $.01 per share

(Title of class)

Check whether Issuer: (1) has filed all reports required to be filed by section 13 or 15 (d) of the Securities and Exchange Act of 1934 during the past 12 months and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Rule 405 of Regulation S-K is not contained herein, and will not be contained, to the best of issuer s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form or any amendment to this Form 10-KSB ¨

Issuer s Revenues for its most recent fiscal year: $7,073,094.

As of February 25, 2003 the aggregate market value of the voting stock held by non-affiliates of the Issuer was approximately $10,905,566. The market value of Common Stock of the Issuer, par value $0.01 per share, was computed by reference to the average of the closing bid and asked prices of the Issuer s Common Stock on such date which was February 25, 2003.

The number of shares outstanding of the Issuer s Common Stock, par value $0.01 per share, as of February 25, 2003: 11,997,540.

DOCUMENTS INCORPORATED BY REFERENCE

Documents incorporated by reference: The information required by Part III of Form 10-KSB is incorporated by reference to the Issuer s definitive proxy statement relating to the 2002 Annual Meeting of Shareholders which is expected to be filed with Securities and Exchange Commission on or about March 30, 2003.

Transitional Small Business Disclosure Format (check one): Yes ¨ ; No x

EXPLANATORY NOTE

CRYO-CELL International, Inc. amends its Annual Report on Form 10-KSB for the fiscal year ended November 30, 2002 (filed on February 28, 2002), as set forth in this Form 10-KSB/A (Amendment No. 1), to the correct the auditor s letterhead, the date of the independent auditors report and immaterial items such as typographical errors and rounding issues. The Exhibit section has also been revised to include the Independent Auditors Consent. In addition, as required by Rule 12b-15, promulgated under the Securities and Exchange Act of 1934, the registrant s principal executive officer and principal financial officer are providing new Rule 13a-14 certifications in connection with this Form 10-KSB/A (Amendment No. 1).

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ITEM 7. FINANCIAL STATEMENTS

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

FINANCIAL STATEMENTS

The following consolidated financial statements of CRYO-CELL International, Inc. are included in Item 7:

Index To Financial Statement

All other schedules for which provision is made in the applicable accounting regulation of the Securities and Exchange Commission are not required under the related instructions or are inapplicable, and therefore have been omitted.

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WEINICK

[WSL LOGO] **SANDERS** 1375 BROADWAY

LEVENTHAL & CO., LLP NEW YORK, N.Y. 10018-7010

CERTIFIED PUBLIC ACCOUNTANTS 212-869-3333

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INDEPENDENT ACCOUNTANTS REPORT

To the Board of Directors

Cryo-Cell International, Inc.

We have audited the accompanying consolidated balance sheets of Cryo-Cell International, Inc. and subsidiaries as of November 30, 2002 and 2001, and the related consolidated statements of operations and comprehensive loss, stockholders equity and cash flows for the years then ended. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Cryo-Cell International, Inc. and subsidiaries as of November 30, 2002 and 2001, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the financial statements, in 2002 the Company changed its method of accounting for intangible assets.

/s/ WEINICK SANDERS LEVENTHAL & CO., LLP

New York, N. Y.

February 20, 2003

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CRYO-CELL INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

ASSETS

	November 30, 2002	November 30, 2001
Current Assets		
Cash and cash equivalents	$ 1,935,532	$ 5,540,751
Marketable securities	3,127,843	260,996
Accounts receivable and advances (net of allowance for doubtful accounts of $89,010 and $34,010 respectively)	301,911	215,308
Receivable Revenue Sharing Agreement (net allowance for doubtful accounts of $370,000 and $0 respectively)		370,000
Receivable Affiliates (net allowance for doubtful accounts of $128,540 and $0 respectively)	412,071	1,300,000
Note Receivable (net allowance for doubtful accounts of $41,000 and $0 respectively)	210,750	51,750
Prepaid expenses and other current assets	175,564	223,337
Total current assets	6,163,671	7,962,142
Property and Equipment	2,632,831	3,184,883
Other Assets		
Intangible assets (net of amortization of $75,438 and $64,944, respectively)	102,345	119,662
Investment in Saneron CCEL Therapeutics, Inc.	2,132,505	2,431,871
Investment in European Affiliates	1,218,167	3,100,000
Investment option to purchase a business		212,713
Deferred Consulting Fees	1,438,412	
Deposits with vendors and others	175,160	383,075
Total other assets	5,066,589	6,247,321
	$ 13,863,091	$ 17,394,346

LIABILITIES AND STOCKHOLDERS EQUITY

	November 30, 2002	November 30, 2001
Current Liabilities		
Note Payable Investment Bank	$	$ 467,000
Accounts payable	391,269	114,942
Accrued expenses and withholdings	1,128,974	248,380
Current portion of obligations under capital leases	1,406	1,510
Total current liabilities	1,521,649	831,832
Other Liabilities		
Unearned revenue	1,018,346	2,009,942
Deposits		23,725

Deferred Consulting Obligation	1,455,688	
Obligations under capital leases-net of current portion		7,579
Total other liabilities	2,474,034	2,041,246
Minority Interest	298,390	
Stockholders Equity		
Preferred stock (500,000 $.01 par value authorized and unissued)		
Common stock (20,000,000 $.01 par value common shares authorized; 11,997,540 shares at November 30, 2002, and 11,329,379 shares at November 30, 2001 issued and outstanding)	113,524	113,285
Additional paid-in capital	22,466,403	21,986,961
Additional paid-in capital stock options	418,125	309,757
Stock subcription receivable		
Accumulated other comprehensive income (loss)	(170,318)	42,496
Accumulated deficit	(13,258,716)	(7,931,231)
Total stockholders equity	9,569,018	14,521,268
	$ 13,863,091	$ 17,394,346

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

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CRYO-CELL INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)

	For the Years Ended	
	November 30, 2002	November 30, 2001
Revenue	$ 7,073,094	$ 5,648,463
Costs and Expenses:		
Cost of sales	2,495,131	1,656,048
Marketing, general & administrative expenses	6,055,754	3,950,759
Research, development and related engineering	219,659	51,067
Provision for doubtful accounts	594,540	
Impairment of assets	2,637,665	
Depreciation and amortization	607,388	476,478
Total cost and expenses	12,610,137	6,134,352
Operating Income (Loss)	(5,537,043)	(485,889)
Other Income and (Expense):		
Interest Income	128,270	110,765
Interest Expense	(58,854)	(10,482)
Other Expense	(112,713)	
Other Income	900,185	1,220,454
Settlement on Litigation	(186,675)	119,314
Loss on Sale of Marketable Securities		(131,899)
Total other income	670,213	1,308,152
Income (loss) before minority interest and equity in earnings of affiliates	(4,866,830)	822,263
Income Taxes	(161,500)	
Equity in earnings of affiliates	(521,814)	53,971
Minority Interest	222,659	23,400
	(460,655)	77,371
Net Income (Loss)	$ (5,327,485)	$ 899,634
Net income (loss) per share basic and diluted	($0.47)	$0.09

Number of Shares Used In Computation		
Basic and diluted	11,342,584	10,582,434
Comprehensive income (loss):		
Net income (loss):	(5,327,485)	899,634
Other comprehensive income (loss):		
Net increase (decrease) in value of marketable securities	(212,814)	15,568
Comprehensive income (loss)	(5,540,299)	915,202
Comprehensive income (loss) per share basic and diluted	($0.49)	$0.09

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

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CRYO-CELL INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS

	For the Years Ended	
	November 30, 2002	November 30, 2001
Cash Flows from Operating Activities		
Net Income (Loss)	$ (5,327,485)	$ 899,634
Adjustments to reconcile net income (loss) to cash used for operating activities:		
Unearned revenue and deposits	(115,321)	725,259
Depreciation and amortization	802,445	512,628
Loss on sale of marketable securities		131,899
Compensatory element of stock options	108,368	185,747
Issuance of common stock for interest and services rendered	42,800	554,950
Provision for doubtful accounts	594,540	5,000
Charge for impairment of assets	2,637,665	
Expired options	212,713	
Equity in earnings of affiliates	521,814	(53,971)
Minority interest	(222,659)	(23,400)
Changes in assets and liabilities:		
Accounts receivable	(107,425)	(88,735)
Receivable Litigation		69,178
Receivable Revenue Sharing Agreement		10,000
Receivable Affiliate	(181,611)	(1,300,000)
Note Receivable	(200,000)	
Prepaid expenses and other current assets	47,773	(100,270)
Deposits	207,915	(357,561)
Accounts payable	276,327	22,031
Accrued expenses	903,697	65,599
Total Adjustments	5,529,041	358,354
Net cash provided by (used for) operating activities	201,556	1,257,988
Cash flows from investing activities:		
Investment in European Affiliates		(300,000)
Loan receivable		(350,000)
Purchases of property and equipment	(1,137,885)	(666,609)
Payments for intangible assets	(3,108)	
Purchases of marketable securities	(3,079,661)	
Proceeds from sale of investment		52,101
Net cash provided by (used for) investing activities	(4,220,654)	(1,264,508)
Cash flows from financing activities		
Net proceeds from the sale of subsidiary s securities	391,830	
Proceeds from the issuance of common stock		24,500
Proceeds from the exercise of stock options and sale of warrants	43,000	2,368,540
Proceeds from notes payable	33,000	467,000
Repayments of deferred consulting obligation	(46,268)	
Repayment of capital leases	(7,683)	(8,563)

Net cash provided by financing activities:	413,879	2,851,477
Increase (decrease) in cash and cash equivalents	(3,605,219)	2,844,957
Beginning of period	5,540,751	2,695,794
End of period	$ 1,935,532	$ 5,540,751
Supplemental disclosure of cash flow information:		
Interest	$ 58,854	$ 1,732
Income taxes	$	$
Supplemental schedules of non-cash investing and financing activities:		
Common stock and common stock options issued as satisfaction of liabilities for:		
Legal services	$	$ 123,470
Other services		$ 617,227
Compensation	$ 42,800	$
Financing costs		$ 22,430
Items received for issuance of common stock:		
Investments in affiliates	$	$ 3,724,000
Option to purchase a business	$	$ 112,713
Conversion of debt and accrued interest into common stock	$ 523,100	$
Deferred Consulting Obligation	$ 1,501,956	$

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

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CRYO-CELL INTERNATIONAL, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY

FOR THE YEARS ENDED NOVEMBER 30, 2002 AND 2001

	Common Stock		Additional Capital Paid-In Capital	Additional Paid-in Comprehensive Stock Options	Accumulated Other Subscriptions Income (Loss)	Stockholders Deficit	Total Equity
	Shares	Amount					
Balance, December 1, 2000	10,132,629	101,327	15,214,215	124,010	26,928	(8,830,865)	6,635,615
Issuance of Shares	7,000	70	24,430				24,500
Sale of Warrants			300,000				300,000
Shares issued upon exercise of options	794,050	7,940	3,860,601				3,868,541
Shares issued for services rendered	117,950	1,170	553,780				554,950
Shares issed for investment in affiliates	277,750	2,778	2,033,935				2,036,713
Compensatory element of stock options				185,747			185,747
Net increase in value of marketable securities					15,568		15,568
Net income						899,634	899,634
Balance, November 30, 2001	11,329,379	113,285	21,986,961	309,757	42,496	(7,931,231)	14,521,268
Gain on sale of minority interest in Stem Cell Preservation Technologies, Inc.			391,830				391,830
Conversion of debt into Stem Cell Preservation Technologies, Inc. common stock			523,100				523,100
Minority interest share of capital contribution to Stem Cell Preservation Technologies, Inc. by Parent Company			(521,049)				(521,049)
Net decrease in value of marketable securities					(212,814)		(212,814)
Shares issued for services rendered	10,000	109	42,691				42,800
Compensatory element of stock options				108,368			108,368
Shares issued upon exercise of options	13,000	130	42,870				43,000
Net loss						(5,327,485)	(5,327,485)
Balance at November 30, 2002	11,352,379	113,524	22,466,403	418,125	(170,318)	(13,258,716)	9,569,018

The accompanying notes to te consolidated financial statemens are an integral part of these statements

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CRYO-CELL INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOVEMBER 30, 2002

NOTE 1 SUMMARY OF CRITICAL AND SIGNIFICANT ACCOUNTING POLICIES

Description of Business.

The Company was incorporated in Delaware on September 11, 1989 and is located in Clearwater, FL. The Company is in the business of collecting, processing and cryogenically storing umbilical cord (U-Cord™) blood (cellular storage) and the design and development of cellular storage devices used in its storage programs. The revenues recognized to date have been a combination of sales of its U-Cord program to customers and the sale of Revenue Sharing Agreements (RSAs) to investors. The Company s headquarters facility in Clearwater, FL handles all aspects of its business operations including the processing and storage of specimens. In October 2002 the Company introduced a dual storage program whereby a portion of newly processed specimens will be stored in the Company s Clearwater, FL facility and the balance of the collected specimen will be stored at a facility in Arizona. The specimens are stored in both the Company s proprietary cellular storage system (CCEL II) and commercially available cryogenic storage equipment.

The Company formed its then wholly owned Delaware subsidiaries, Safti-Cell, Inc., CCEL Immune System Technologies, Inc., Stem Cell Preservation Technologies, Inc. (formerly CCEL Expansion Technologies, Inc.) and CCEL Bio-Therapies, Inc., in 1993. In 2000 the Company formed Tumor Tissue Technology, Inc. and Stem Cell Preservation, Inc. As of November 30, 2001, no shares had been issued for any of these subsidiaries except for Stem Cell Preservation Technologies, Inc. (Note 2).

The accompanying consolidated financial statements as of November 30, 2002 and 2001 and for the years then ended include the accounts of the Company and all of its subsidiaries. All intercompany transactions have been eliminated in the consolidation.

On October 10, 2001, Saneron Therapeutics, Inc. merged into one of the Company s wholly owned subsidiaries, CCEL Bio-Therapies, Inc. (CCBT), which then changed its name to Saneron CCEL Therapeutics, Inc. (SCT). As part of the merger, the Company contributed 260,000 shares of its common stock, whose fair value was $1,375,400 and 195,000 common shares of another of its subsidiaries, Stem Cell Preservation Technologies, Inc., whose fair value was $3,900. At the conclusion of the merger, the Company retained 43.42% minority interest in SCT. The accompanying financial statements as of November 30, 2002 and 2001 reflect the investment in SCT at equity.

On September 20, 2001, the Board of Directors authorized the exchange of a 90% interest in one of its subsidiaries, Safti-Cell, Inc., to Redrock Partners. Redrock Partners will contribute land and construct a storage and preservation facility in Arizona. Prior to the exchange this subsidiary had no assets, liabilities or equity. In May 2001 Redrock Partners paid $200,000 to acquire purchase warrants that expire on May 31, 2006 for 100,000 shares of the Company s common stock at $6.00 per share. One of the Redrock Partners became a director of the Company in October 2001. All of the partners of Redrock Partners are shareholders of the Company.

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In September 2000, the Company purchased a 6% equity interest in CRYO-CELL Europe, N.V. (CCEU) for $1,000,000. In fiscal 2001 the Company through a subsidiary, Stem Cell Preservation Technologies, Inc., (SCPT) acquired an additional 1% of CCEU for $150,000.

The Company on August 28, 2001 purchased 21.9% of CRYO-CELL Italia, S.r.l. (CCI) from CCEU for $1,800,000. The purchase was effectively paid for through the exercise of stock options by CCEU to purchase 200,000 shares of the Company s common stock. SCPT in October 2001 acquired a 2.19% interest in CCI from CCEU for $150,000. The purchase price of the interests in CCI by both the Company and SCPT included a 21.9% and 2.19% interest, respectively, in a yet to be formed umbilical cord blood bank entity which is planned to commence operations. The Company has the first right of refusal to purchase from CCEU its remaining 18.91% interest in CCI. On October 3, 2001, the Company issued CCEU 17,750 shares of the Company s common stock whose fair value at issuance was $112,713 as payment for an option to acquire an additional 60% interest in CCEU for $13,500,000. During fiscal year 2002 the Company decided not to exercise this option and accordingly, the Company charged to operations as other expense the cost of the option. Both of these investments were reviewed for impairment by experts and as of November 30, 2002 these assets were deemed to be impaired. These assets carrying values were adjusted to their appraisal value, which resulted in a charge to operations of $1,881,883 in the fourth quarter of 2002.

Revenue Recognition

The Company records as Revenue income from processing and storage of specimens and income from revenue sharing agreements. The Company recognizes revenue from processing fees upon the completion of processing and cellular storage fees ratably over the contractual storage period. Revenue is recognized when the Company enters into a Revenue Sharing Agreement and the payment pursuant to the agreement has been satisfactorily assured.

The Company records as Other Income sales of marketing rights and royalty income from such rights. In fiscal 2002 and 2001, $235,000 and $700,000, were recognized as other income from the sale of marketing rights of the Company s U-Cord program to CCEU. In 2001 the Company sold an exclusive territorial license for Mexico, Ecuador and Central America for $600,000. As the obligations of the Company have been completed the Company recognized $500,000 in other income in fiscal 2001 and the balance was recorded in fiscal 2002. The license is for an initial term of two years and is renewable at the licensee s discretion in perpetuity. The Company also sold an exclusive license for the territory of Israel and the territory of Turkey and the Middle East. This licensee had the option to cancel the Turkey and Middle East portion of the license and apply the initial deposit toward the Israeli portion of the contract. The licensee opted to cancel the Middle East and Turkey license and the Company reduced each of its receivable and unearned income by $500,000. The Company modified the terms of the original license, (see Note 10) resulting in an additional reduction in receivables and deferred revenues of $400,000. As the Company s obligations under the agreement have been completed the Company recognized $100,000 as other income in fiscal 2002.

In 2001, the Company entered into a revenue sharing agreement for a 37.5% interest in the storage revenues generated from within the State of Texas to two investors affiliated with the Company for $750,000, all of which was recognized in revenue in fiscal 2001.

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Basis of Presentation

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

Concentration of Risks

Financial instruments that potentially subject the Company to concentrations of credit risk are principally cash and cash equivalent accounts in financial institutions, which often exceed the Federal Depository Insurance limit. The Company places its cash with high quality financial institutions and believes it is not exposed to any significant credit risk.

The Company depends on one company for the source of its collection kits and another company for the manufacture of its CCEL II cellular storage unit. However, the Company believes that alternative manufacturing sources are available.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts and disclosures reported in the financial statements and accompanying notes. Accordingly, actual results could differ from those estimates.

Reclassifications

Reclassifications have been made to the prior year s Consolidated Financial Statements to conform to the fiscal 2002 presentation.

Cash and Cash Equivalents

Cash and equivalents consist of highly liquid investments with a maturity date at acquisition of three months or less.

Marketable Securities

The Company accounts for marketable securities in accordance with Statement of Financial Accounting Standards No. 115, Accounting for Certain Investments in Debt and Equity Securities. All of the Company s marketable securities are classified as available-for-sale as of the balance sheet date and are stated at fair value, with unrealized gains and losses recorded as a component of stockholders equity (See Note 3).

Receivables

Receivables consist of the amounts due from clients that have enrolled in the U-Cord processing and storage program and amounts due from license affiliates.

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Intangible Assets

Costs incurred in connection with filing patent and trademark applications are capitalized. Patents and trademarks granted are amortized on a straight-line basis over estimated useful lives of 10 and 3 years, respectively. Abandoned patents are expensed in the year of abandonment.

Property and Equipment

Property and equipment are stated at cost. Depreciation is provided primarily by the straight-line method over the estimated useful lives of the related assets. Leasehold improvements are amortized over the shorter of the respective life of the lease or the estimated useful lives of the improvements. Upon the sale or retirement of depreciable assets, the cost and related accumulated depreciation will be removed from the accounts and the resulting profit or loss will be reflected in income. Expenditures for maintenance, repairs and minor betterments are expensed as incurred. Estimated useful lives of property and equipment are as follows:

Machinery and equipment	5-10 years
Furniture and fixtures	5-7 years
Condominium	27.5 years

Long-Lived Assets

Long-lived assets and identifiable intangibles to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable as proscribed under Statement of Financial Accounting Standards No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of (SFAS 121). Impairment is measured by comparing the carrying value of the long-lived asset to the estimated undiscounted future cash flows expected to result from uses of the assets and their eventual disposition. At November 30, 2001, the carrying values of the Company s other assets and liabilities approximated their estimated fair values. At November 30, 2002, the Company s investments in its European affiliates were deemed to be impaired and their carrying values were adjusted to their appraised values. The carrying values of the Company s other assets and liabilities approximated their fair values at November 30, 2002.

Research, Development Costs and Related Engineering Costs

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

Cost of Sales

Cost of sales represents the associated expenses resulting from the processing, testing and storage of the U-Cord specimens.

Income (Loss) per Common Share

In 1998, the Company adopted the provisions of Statement of Financial Accounting Standards No. 128, Earnings Per Share (SFAS 128) which requires the disclosure of basic and diluted earnings per common share for all periods presented. Basic and diluted earnings per

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share are calculated based on the weighted average number of common shares outstanding during the period. Diluted earnings per share also gives effect to the dilutive effect of stock options and warrants (calculated based on the treasury stock method). The Company does not present diluted earnings per share, as the effect of potentially dilutive shares from stock is antidilutive.

Employees Stock Plans

The Company accounts for its stock options in accordance with the provisions of the Accounting Principles Board (APB) Opinion No. 25, Accounting for Stock Issued to Employees. As permitted under SFAS No. 123, Accounting for Stock-Based Compensation, the Company continues to apply the provisions of APB No. 25 for purposes of determining net income and has adopted the pro forma disclosure requirement of SFAS No. 123.

Recently Issued Accounting Pronouncements

In June 2001, the FASB issued SFAS No. 141, Business Combinations , and SFAS No. 142, Goodwill and Other Assets . Under these new standards, all acquisitions subsequent to June 30, 2001 must be accounted for under the purchase method of accounting, and purchased goodwill is no longer amortized over its useful life. Rather, goodwill will be subject to a periodic impairment test based upon its fair value.

In August 2001, the FASB issued SFAS No. 143, Accounting for Asset Retirement Obligations (SFAS 143). SFAS 143 establishes accounting standards for recognition and measurement of a liability for the costs of asset retirement obligations. Under SFAS 143, the costs of retiring an asset will be recorded as a liability when the retirement obligation arises, and will be amortized to expense over the life of the asset.

In October 2001, the FASB issued SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets . This pronouncement addresses financial accounting for the impairment or disposal of long-lived assets and discontinued operations.

In July 2002, the FASB issued SFAS No. 146 Accounting for Costs Associated with Exit or Disposal Activities (Statement No. 146), which supercedes EITF No. 94-3, Liability Recognition for Certain Employment Termination Benefits and Other Costs to Exit an Activity. Statement No. 146 requires companies to record liabilities for costs associated with exit or disposal activity. Adoption of this standard is effective for exit or disposal activities that are initiated after December 31, 2002. The Company believes the adoption of these this pronouncements will not have a material impact on the Company.

NOTE 2 STEM CELL PRESERVATION TECHNOLOGIES, INC.

The Board of Directors of the Company declared a dividend payable in shares of common stock of the Company s subsidiary, Stem Cell Preservation Technologies, Inc. (SCPT) on July 25, 2001. The Company s shareholders of record on August 31, 2001 are to receive three (3) shares of SCPT common stock for every four (4) shares of the Company s common stock the Company s shareholders own as of the record date of August 31, 2001. An independent appraisal valued SCPT as of August 31, 2001 at $62,500 or less than $0.01 per share, as adjusted for forward split of 1,350 to 1 in September 2001.

The Board of Directors of the Company on August 21, 2001 set aside 1,000,000 shares of

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the common shares of SCPT (as adjusted for the September 2001 forward split) owned byCRYO CELL International, Inc. for the purpose of incentives for the recruiting of and rewarding of key SCPT executives. SCPT cancelled these shares and retired these shares. During fiscal 2001, three officers of SCPT had received stock grants of 25,000 common shares each under this plan for services rendered and 925,000 common shares are available for future issuance. The fair value of the shares granted was $1,500, which was charged to operations.

The Company s Board of Directors on August 29, 2001 granted options to purchase an aggregate of 850,000 common shares of SCPT at $0.02 per share to four officers of the Company. The grant price was in excess of the fair value of the shares at the date of grant. Three of the officers exercised their options for 805,000 common shares and at November 30, 2002 an option for 45,000 of these shares to the Company s former President (See Legal Proceedings) was not exercised. The Board of Directors of the Company also authorized the issuance of 195,000 common shares of SCPT to Saneron CCEL Therapeutics, Inc. (See Note 4).

In July 2001, SCPT entered into a financing agreement with Financial Holdings and Investments Corp. (FHIC) whereby SCPT borrowed $500,000 as evidenced by an 8% interest bearing note payable no later than thirteen months from the date of the note provided SCPT shall repay $300,000 of the principal if and when the SCPT realizes $1,500,000 from the sale of its securities. SCPT agreed to issue FHIC 250,000 (as per May 22, 2002 amendment below, shares reduced to 150,000) of its common shares, as adjusted for the September 2001 forward split, as additional compensation. SCPT s counsel also received 45,000 common shares for its legal services. Both issuances of shares were valued at their fair value of $3,400 and reflected in accompanying financial statements as deferred financing costs. SCPT used $300,000 of the proceeds received as payment for its investment in CRYO-CELL Europe NV and CRYO-CELL Italia, S.r.l.

On November 1, 2001, SCPT offered for sale 1,250,000 shares of its common stock at $2.00 per share in a private placement offering through a private placement agent, Newbridge Securities Corporation, a subsidiary of FHIC. The placement agent was to receive a commission of 10% of the gross proceeds from the offering and a non-accountable expense reimbursement of 3% of the gross sale proceeds. The Placement Agent originally was to receive warrants to acquire 25,900 common shares exercisable at $2.20 per share. As per the May 22, 2002 debt conversion agreement (see below), the warrant issuance was cancelled in exchange for the issuance of 22,500 common shares. The number of shares purchasable under these warrants is equal to 10% of the shares sold under the private offering. The offering period originally terminated on December 31, 2001 but was extended until February 28, 2002. By the closing of the offering on February 28, 2002, accredited investors subscribed for 259,000 common shares at $2.00 per share for a total of $518,000. Offering costs amounted to $126,170. Of the 13,279,000 issued and outstanding common shares of SCPT at November 30, 2002, the Company owned 11,500,000 (86.6%) shares. Upon payment of the dividend the Company will own approximately 3,200,000 (24.9%) shares of SCPT.

On May 22, 2002, FHIC agreed to convert the $500,000 note and accrued interest thereon into 250,000 shares of SCPT s common stock and was paid an incentive fee of $20,000 to convert the note into the common shares. The conversion agreement also required FHIC to reduce the 250,000 shares of SCPT s common stock received as additional compensation under the original terms of the July 2001 financing agreement to 150,000 shares in full satisfaction.

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NOTE 3 MARKETABLE SECURITIES.

The Company holds certain marketable securities from time to time as described below**:**

Return on Investment Corporation

In August 2000 Return on Investment Corporation (ROI) merged into Net/Tech International, Inc. (NTTI). ROI exchanged one share of common stock for twenty shares of NTTI common stock. In November 1998 the Company s ownership percentage in NTTI decreased to less than 20% of the outstanding shares of NTTI. In previous years, the Company accounted for its investment in NTTI using the equity method but as of the date upon which its ownership percentage fell below 20% the Company used the guidance in SFAS 115 Accounting for Certain Investments in Debt and Equity Securities , as described above, to account for the investment. Since NTTI stock was thinly traded and subject to considerable price fluctuation, if the Company were to attempt to sell large blocks of shares, it was unlikely that the Company would be able to obtain the exchange market value as listed. This security was therefore subject to considerable market risk as well as certain trading restrictions that limit the number of shares that can be sold during a 90-day period.

The Company recognized losses under the equity method for the NTTI investment during 1998 reducing the cost basis of the stock to $0. The proceeds from the sale and realized gains on the sale of the stock during 1998 were both $515,574. The unrealized gain has been recorded as a component of stockholders equity in the amount of $58,848 and $222,316 to reflect the fair market value of the investment as of November 30, 2002 and 2001, respectively.

Other Securities

In 1997 the Company acquired 100,000 shares of an equity security in payment for the sale of a Revenue Sharing Agreement. The original cost as determined by the trading price on the date of acquisition was $400,000. During February and March 2001, the Company sold 46,000 shares. The gross proceeds for the sales were $52,101, which resulted in a loss of $131,899, which is recognized as a loss on sale of securities. The fair value of this security as of November 30, 2002 and 2001 was $12,960 and $36,180 respectively and the unrealized holding loss on this security was $203,040 and $179,820 as of November 30, 2002 and 2001, respectively.

Additionally, the Company made investments in Class A mutual funds in 2002 with a fair value of $3,053,535 as of November 30, 2002. As the cost of these investments was $3,079,661, the unrealized holding loss on these investments is $26,126 at November 30, 2002.

NOTE 4 INVESTMENTS IN AFFILIATES.

Saneron CCEL Therapeutics, Inc.

On October 10, 2001, the Company s subsidiary, CCEL Bio-Therapies, Inc. (CCBT), effected the July 10, 2001 merger agreement with Saneron Therapeutics, Inc. (STI) with CCBT remaining as survivor. The STI shareholders received 56.58% of the merged entity and the Company retained a 43.42% interest. Prior to the merger, CCBT was inactive and had no assets

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or liabilities. The agreement required the Company to (i) contribute to CCBT 260,000 shares of its common stock (which were actually issued on February 14, 2002) and 195,000 shares of common stock of its subsidiary, SCPT, (ii) convert an advance of $150,000 to STI to capital, (iii) assign certain licenses for stem cell research between the Company, The University of South Florida and the University of South Florida Research Foundation, including all obligations that the Company had under such license agreements, and, (iv) change CCBT s name to Saneron CCEL Therapeutics, Inc. The fair value of the assets contributed by the Company aggregated $2,377,900. STI at the merger date had a historical capital deficiency of $10,000, which included intangible assets that were not assigned any value by its management. The intangible assets of STI consist of patents and all marketing rights thereto, licenses, research and development, and future research grants of approximately $3,000,000. The merger caused the recognition of $3,248,600 in intangible assets on the books of CCBT, which upon review for impairment, as of November 30, 2002, is not considered to be impaired. The Company recorded a charge to operations of $303,389 in fiscal 2002 for its pro rata share of CCBT s results of operations as required under the equity method of accounting for minority owned subsidiary. In February 2003 an independent valuation appraised the Company s 43.42% minority stake in Saneron CCEL Therapeutics, Inc. at $3 million.

CRYO-CELL Europe N V

On September 28, 2000, the Company purchased a 6% equity interest in CRYO-CELL Europe, NV (CCEU) for $1,000,000. In October 2001 the Company s subsidiary, Stem Cell Preservation Technologies, Inc. (SCPT) acquired a 1% interest in CCEU for $150,000. The Company had an independent appraisal performed in February 2003 to determine the fair market value of this investment. As a result of this appraisal, the Company determined that the value of its investment has been impaired. Accordingly, the Company has charged $410,333 to operations as an asset impairment.

On October 3, 2001, the Company issued to CCEU, 17,750 shares of the Company s common stock, whose fair value at issuance was $112,713, as payment for an option to acquire an additional 60% interest in CCEU for $13,500,000. The Company has decided not to exercise this option and accordingly, the Company charged $112,713 to operations as other expense during fiscal 2002.

CRYO-CELL Italia, S.r.l.

On August 29, 2001, the Company purchased a 21.9% interest in CRYO-CELL Italia S.r.l. (CCI) from CCEU valued at $1,800,000. SCPT, simultaneous with its investment in CCEU referred above, also acquired a 2.19% interest in CCI from CCEU for $150,000. The Company s investments in shares of CCI were in anticipation of CCI s opening of an umbilical cord blood bank within Italy. In connection with its purchase of an interest in CCI, the Company also received a first right of refusal to purchase from CCEU its remaining 18.91% interest in CCI. The excess of cost of the investment in CCI over the book value of Italia at the time of acquisition was approximately $1,850,000. The Company originally recorded its effective 24.09% interest (on a combined basis with SCPT) in CCI under the equity method, which approximates the cost of the Company s cost of the equity investment. However, the Company had an independent appraisal performed in February 2003 to determine the fair market value of this investment. As a result of this appraisal, the Company determined that the value of its investment has been impaired. Accordingly, the Company has charged $1,471,500 to operations as an asset impairment. Following finalization of the expected dividend of the SCPT shares to shareholders of record on

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August 31, 2001 the Company s interest will be reduced to the extent of SCPT s interest in CCI.

In February 2002, the Italian Ministry of Health issued an ordinance restricting private cord blood collection. The statutory basis under Italian law for this action was Section 107 of the Regulation of Transfusion and Production of Blood Products, which requires that these activities be conducted by duly licensed organizations. In April and May 2002 petitions against the ordinance were brought by CCI and three mothers in separate actions. CCI and the mothers prevailed in all circumstances resulting in the court permitting the collection and export of the cord blood specimens. In January 2003, the Italian Ministry of Health extended the previously issued ordinance for an additional year. Draft blood product and banking legislation is currently pending in the Italian Parliament which includes a provision that expressly allows private cord blood banking activities within the country.

In July 2002 the Company was informed by a 51% shareholder of CCI that the shares of CCI which were purchased by the Company and SCPT from CCEU have not yet been reflected on CCI s share register and under Italian law the Company is therefore not recognized as a shareholder. On October 18, 2002, the 51% shareholder informed the Company that it will assist the Company in making the share transfer. The Company has sent all appropriate documentation to CCI to meet the requirements of Italian law. The Company is currently awaiting the original documents reflecting the Company s ownership on CCI s register.

NOTE 5 PROPERTY AND EQUIPMENT.

The major classes of property and equipment are as follows:

	2002	2001
Condominium	$ 85,000	$ 85,000
Furniture and equipment	1,641,041	1,197,127
Cellular storage units	150,000	1,171,240
Leasehold improvements	402,338	189,377
Equipment	1,242,211	1,531,137
	3,520,590	4,172,881
Less: Accumulated depreciation and amortization	887,759	988,998
	$ 2,632,831	$ 3,184,883

Depreciation expense charged to operations was $718,476 in 2002 and $500,434 in 2001.

During fiscal 2002 the Company reviewed its long-lived assets and determined that certain equipment was not being fully utilized and would be not be utilized in the foreseeable future and had suffered permanent impairment in value. The aggregate charge to operations was $971,461 of which $679,678 related to the Company s third generation cryogenic preservation equipment (CCEL III), which is being abandoned. The other $291,783 charge to operations is for the excess quantity of equipment.

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NOTE 6 INTANGIBLE ASSETS.

The Company has patented technology related to its automatic cryogenic preservation equipment and has received patents for additional functions of the cryogenic unit for an additional unit that incorporates a multi-chambered design, and for a process for controlled freezing/thawing. The Company has been granted patents in several countries. The Company amortizes the costs of obtaining these patents over their useful lives. Amortization charged to operations in 2002 was $20,425 and $10,944 in 2001.

NOTE 7 ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES.

Accrued expenses and other current liabilities are as follows:

	November 30,	
	2002	**2001**
Consultants and patent costs	$ 1,137	$ 31,000
State income and franchise taxes	161,500	
Legal and accounting	488,350	90,000
Research, development and engineering costs	210,000	
Payroll and payroll taxes	116,665	62,633
General expenses	151,323	64,747
	$ 1,128,975	$ 248,380

NOTE 8 INCOME TAXES.

The Company has no provisions for current or deferred federal income taxes for the years ended November 30, 2002 and 2001.

Under the asset and liability method of SFAS No. 109 Accounting for Income Taxes , deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to be recovered or settled. As of November 2002 and 2001 the tax effects of temporary differences that give rise to the deferred tax assets are as follows:

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	November 30, 2002	November 30, 2001
Deferred tax assets:		
Net operating loss carryforwards	$ 1,807,508	$ 2,192,760
Tax over book basis in unconsolidated affiliate	1,012,491	235,208
Valuation reserves	238,849	11,348
Depreciation and other	(147,161)	(93,738)
	2,911,687	2,345,578
Less: Valuation allowance	2,911,687	2,345,578
	$	$

The Company has unused net operating losses available for carryforward to offset future federal taxable income. The Tax Reform Act of 1986 contains provisions that limit the utilization of net operating losses if there has been an ownership change . Such an ownership change as described in Section 382 of the Internal Revenue code may limit the Company s utilization of its net operating loss carryforwards. The net operating loss carryforwards expire during the following year and amounts:

Year	Amount
2010	$ 29,000
2012	1,009,000
2013	1,784,000
2014	577,000
2015	1,358,000
2016	
	$ 4,757,000

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

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	For the Years Ended November 30,			
	2002	%	2001	%
Income (loss) before income tax benefit	$ (5,165,985)		$ 899,634	
Tax at Federal Statutory Rate	(1,756,000	34.00	305,000	34.00
Contribution of Capital by Parent Corporation that is Taxable	1,020,000	19.70		
State Income Tax Effect	106,500	2.10	18,000	2.00
Compensatory element of stock options			(603,000)	(67.10)
Increase (decrease) in valuation allowance	785,000	15.20	338,000	37.50
Other Permanent Differences	6,000	0.10	(58,000)	(6.40)
Total income taxes	$ 161,500	3.10	$	

NOTE 9 STOCKHOLDERS EQUITY.

Common Stock Issuances

During fiscal 2001, the Company received $24,500 in cash proceeds from the sales of 7,000 shares of its common stock. The Company also issued 794,050 common shares to option holders who exercised these options in 2001 for $3,868,540. The Company received $300,000 in proceeds from the sale of warrants to purchase 100,000 shares of its common stock at $6.00 per share and 100,000 shares of its common stock at $9.00 per share. In fiscal 2002, the Company issued 13,000 common shares to option holders who exercised options for $43,000.

The Company made payments for compensation, consulting, property assets and professional legal services rendered through the issuance of 10,000 shares in 2002 and 117,950 shares in 2001 of its common stock. The fair value of the shares issued was $42,800 in 2002 and $554,950 in 2001. In partial payment for two RSAs, which the Company purchased from its majority owned subsidiary, SCPT, the Company issued 645,161 shares of its common stock which had a fair value of $2,400,000 at the date of issuance. These shares are not reflected as outstanding in the accompanying financial statements as they are eliminated in consolidation.

The compensatory element of stock options granted to consultants that was charged to operations aggregated $108,368 and $185,747 in 2002 and 2001, respectively. These options expire through 2007.

Employee Incentive Stock Option Plan

In 2000 the Company adopted an Employee Incentive Stock Option Plan, and has reserved 1,500,000 shares of the Company s common stock for issuance under the Plan by the Company s possessive stockholders. In 2002 the Company had an additional 750,000 shares approved for issuance under the Plan. Employee options under the Plan have a term of five years from the date of grant and are vested one year from the date of grant. The options are exercisable for a period of 90 days after termination.

Stock Options

Stock option activity for the two years ended November 30, 2002, was as follows:

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	Number of Shares	Weighted Average Exercise Price
Outstanding and exercisable at December 1, 2000	2,404,000	$ 3.94
Granted	389,500	6.88
Exercised	(771,050)	4.91
Terminated	(167,400)	4.12
Outstanding and exercisable At November 30, 2001	1,855,050	5.60
Granted	456,500	3.73
Exercised	(13,000)	3.25
Terminated	(335,750)	4.51
Outstanding and exercisable at November 30, 2002	1,962,800	$ 5.37

Significant option groups outstanding at November 30, 2002 and related price and life information follows:

Range of Exercise Price	Outstanding	Weighted Average Exercise Price	Average Remaining Contractual Life
$1.00 to $ 2.00	49,000	$ 2.00	4.9
$2.01 to $ 3.00	323,900	$ 2.52	2.9
$3.01 to $ 4.00	80,000	$ 3.69	2.2
$4.01 to $ 5.00	812,400	$ 4.81	1.9
$5.01 to $ 6.00	171,500	$ 5.87	2.6
$6.00 to $ 7.00	106,000	$ 0.96	1.8
$7.01 to $ 8.00	215,000	$ 8.00	1.9
$8.01 to $ 9.00	103,000	$ 8.99	1.8
$9.01 to $10.00	102,000	$ 10.00	1.7
	1,962,800		

The Company applies Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees (APB 25) and related Interpretations in accounting for its stock options granted to employees and SFAS No.123, Accounting for Stock-Based Compensation for all options granted to non-employees. Under APB 25, compensation expense is recognized over the life of the option for the amount of the excess of the market price over the exercise price on the date of the grant. Had the compensation expense been determined based upon the fair value at the grant date consistent with the alternative fair value accounting provided for under SFAS No.123, the Company s net loss and net loss per share would have been $5,952,383 and $.52 for the year ended November 30, 2002, and the net income and net income per share for the year ended

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November 30, 2001 would have been $347,710 and $0.03, respectively. The weighted average fair value at the date of grant for options granted during the years ended November 30, 2002 and 2001 was $3.73 and $2.68 per option, respectively. The Black-Scholes option-pricing model was developed for use in estimating the fair value of traded options that are fully transferable. The Company s options have the characteristics significantly different from those of traded options. In addition, option valuation models require the input of highly subjective assumptions, including the expected stock price volatility. Since the Company s stock issued upon exercise of the options for non-employees is restricted stock, a reduction of 30% of the trading price of the stock at the date of grant has been applied to account for this restriction.

Other variables used to determine the fair value of the options for fiscal 2002 and 2001 were as follows:

	For the Years Ended November 30,	
	2002	**2001**
Weighted average values:		
Expected dividends	0%	0%
Expected volatility	109%-119%	109%-119%
Risk free interest rate	2.13%-3.03%	4.78%-4.90%
Expected life	2-4 years	2-4 years

Weighted average grant date fair values are shown below for options granted in 2002 and 2001.

	Weighted Average Fair Value/Share	**Weighted Average Exercise Price/Share**
2002		
Stock price exercise price	$	$
Stock price > exercise price	$	$
Stock price < exercise price	$ 1.38	$ 3.62
2001		
Stock price exercise price	$	$
Stock price > exercise price	$ 4.52	$ 4.52
Stock price < exercise price	$ 2.17	$ 2.17

The pro forma effect on net income is not representative of the pro forma effect on net income in future periods because it does not take into consideration pro forma compensation expense related to grants made in prior periods.

NOTE 10 COMMITMENTS AND CONTINGENCIES.

During second quarter 2002 the Company launched the third year of the three-year marketing program entered into in 2000 with Lamaze Publishing. The media program included

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the sponsorship of the Lamaze You and Your Baby tutorial tape and full-page advertisements in the Lamaze Parent Magazine at a cost of $234,750 and $223,585 for 2002 and 2001, respectively. The program will expire during the second quarter of 2003.

On April 6, 2000, the Company entered into a renewable two-year agreement with COLTEC, Ltd. for the exclusive license to market the Company s U-Cord program in Europe. The marketing rights allow COLTEC, Ltd. to directly market the U-Cord program, sell revenue sharing agreements or further sub-license the marketing rights throughout Europe. The Company received $1,400,000 in cash in 2000 as an up front licensing fee, of which $465,000 and $700,000 were recorded in fiscal 2000 and 2001, respectively. The Company has recognized the remaining $235,000 of the licensing fee income in fiscal 2002. Pursuant to the agreement the Company is entitled to on-going licensing fees of 10.5% to 18% of adjusted U-Cord processing and storage revenues generated in Europe. The Company recognized as other income $360,289 and $20,454 in fiscal 2002 and 2001, respectively, relating to the royalty fees.

The agreement also provided for a grant, to COLTEC, Ltd,. of a three-year option to purchase 100,000 shares of the Company s common stock at $8.00 per share and up to 100,000 additional options at $12.00 per share which were issued in 2001 at $10.00 per share. Both of the options were exercised on August 28, 2001 for an aggregate of $1,800,000 paid to the Company.

Subsequent to entering into the licensing agreement date, COLTEC, Ltd. formed a corporation, CRYO-CELL Europe, N.V. (CCEU) to engage in the cryogenic cellular storage business under the agreement. On September 19, 2000, the Company entered into an agreement to purchase approximately 6% of CCEU. In October and November 2000, the Company paid $1,000,000 for 38,760 shares of the capital stock of CRYO-CELL Europe, N.V. The Company owned these shares on January 24, 2001.

On September 26, 2002, the Company sent a letter to CCEU advising that CCEU was in default under the terms of the license agreement for failure to pay royalty fees. Based upon actual revenues since inception through August 2002, the Company believes it is entitled to $380,743 in royalty fees. Two payments were made in fiscal 2001 to the Company totaling $57,181 leaving a balance due of $323,562. On October 2, 2002, the Company received a letter from CCEU stating that the Company had not fulfilled its obligations under the licensing agreement. As of November 30, 2002, a reserve of $128,540 was taken to offset the current royalty receivable. Following unsuccessful settlement discussions, the Company is reviewing all its remedy options to collect this outstanding receivable.

On October 15, 2001 the Company signed a renewable two-year agreement with CRYO-CELL De Mexico, S.A. De C.V. (CCEL MEX) whereby the Company granted CCEL MEX an exclusive license for the operation and commercialization of the CRYO-CELL U-Cord program in Mexico, Ecuador and Central America. The agreement includes the collection, processing and storage of umbilical cord stem cells and grants CCEL MEX exclusive rights to sublicense the U-Cord program in these geographic areas. The consideration for the license to CCEL MEX is $600,000 of which $200,000 was paid to the Company in fiscal 2001, $200,000 has been paid in 2002 and $100,000 was paid in January 2003 and $100,000 is still due to the Company. The Company is entitled to on-going licensing fees of 15% to 25% of adjusted U-Cord processing and storage revenues to be generated in Mexico, Ecuador and Central America as well as 10% from the money received by CCEL MEX for the granting of sublicenses. The Company has no other obligations to CCEL MEX other than to provide technical assistance and training so that CCEL

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MEX can be self-operational. These procedures were substantially completed by November 30, 2001. Accordingly, the Company recognized $500,000 in licensing fee income in fiscal 2001 with respect to this agreement. The Company recognized the remaining $100,000 as licensing fee income in fiscal 2002, which is included in Other Income.

In October 2001 the Company finalized a renewable three-year contract with CRYO-CELL Middle East, Inc. (CCEL ME) for the exclusive license to market the Company s U-Cord program in Israel, the Middle East and Turkey. The agreement provides for the Company to receive $1,000,000, (allocated $500,000 to Israel and $500,000 to Turkey and the Middle East). The Company is also entitled to licensing fees of 10.5% to 18% of adjusted U-Cord processing and storage revenues to be generated in the Licensed Area as well as 10% from the money received by CCEL ME for the granting of sublicenses. The Company received $100,000 of the initial payment in fiscal 2001 and the balance was to be paid in three installments of $200,000 due July 2002, February 2003 and November 2003 and one installment of $300,000 due July 2004. Per the agreement the licensee had the right to cancel the Middle East and Turkey portion of the agreement and apply all of the $100,000 initial deposit toward the Israel portion of the contract. The licensee opted to cancel the Middle East and Turkey license and the Company reduced each of its receivable and unearned income by $500,000.

As a result of the geography reapportionment, CCEL ME has informed the Company that they will not be able to pay the remaining portion of the license fee. The Company in October 2002 has modified the terms of the license in which it has forgiven $100,000 due in July 2002 and will forgive the remaining payments of the contract in exchange for the surrender of the warrants to acquire 100,000 shares of the Company s common stock at an exercise price of $9.00 per share. The Company and CCEL ME have agreed to terminate these warrants and apply their current value aggregating $1.00 toward the remaining portion of the license fee. The Company had previously recognized $125,000 as licensing fee income. Due to the proposed revised terms of the contract, $25,000 had to be reversed from Other Income in fiscal 2002 and at November 30, 2002 the entire receivable of $400,000 and unearned income of $400,000 from the sale of this license has been written-off.

On June 18, 2002, Daniel D. Richard resigned from his positions as Chairman and Chief Executive Officer of the Company. John V. Hargiss was appointed to the position of Chief Executive Officer and Mercedes Walton, a Company director, was elected Chairman of the Board. The Board awarded Mr. Richard a $250,000 retirement bonus which was recorded at May 31, 2002 and conditionally awarded, 200,000 stock options at 110% of market value at the time of grant from the Company s Stock Incentive Plan upon the successful completion of certain performance milestones. Mr. Richard will be paid $200,000 per year over the next 10 years as part of a long-term consulting agreement with the Company. The agreement constitutes a survivor s benefit to his widow in the event of death before the expiration of the 10-year period. At November 30, 2002 the unamortized present value of this agreement has been recorded by the Company as a deferred consulting fee of $1,438,412 with a related deferred consulting obligation of $1,455,688. In fiscal 2002 the Company recognized $63,544 of consulting expense and $35,286 of interest expense related to this agreement.

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NOTE 11 LEASES.

The Company leases two buildings under two separate operating leases for its storage, laboratory and general office facilities. The leases, expiring in 2004, include provisions for escalations and related costs. Rent charged to operations was $193,431 and $143,385 in 2002 and 2001, respectively.

The Company is obligated under capital leases that expire at various dates during 2003. Assets under capital leases are depreciated over estimated useful lives of seven to ten years. The following is a summary of assets under capital leases as of November 30, 2002 and 2001, which are included in the accompanying consolidated financial statements under the caption of property and equipment:

	2002	2001
Leasehold improvements	$ 12,909	$ 12,909
Laboratory equipment	30,282	30,282
	43,191	43,191
Less: Accumulated depreciation and amortization	21,735	16,863
	$ 21,456	$ 26,328

The future minimum rental payments under these operating and capital leases, as of November 30, 2002, are as follows:

Years Ended November 30,	Capital Leases	Operating Leases
2003	1,406	190,407
2004		152,822
Total future minimum rental payments	1,406	343,229
Less: Amounts representing interest	53	
	$ 1,353	$ 343,229

NOTE 12 PENSION PLAN.

In January 1997, the Company adopted a 401(k) retirement plan, which allows eligible employees to allocate up to 15% of their salaries to such plan. The Company does not make any matching contributions to this plan.

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NOTE 13 REVENUE SHARING AGREEMENTS.

The Company enters into Revenue Sharing Agreements (RSAs) with various parties whereby these parties contract with the Company for a percentage of future storage revenues the Company generates from clients in specific geographical areas. The parties typically pay the Company an up-front fee for the rights to these future payments. The following is a summary of the Company s current RSAs.

Florida. On February 9, 1999, the previous agreements with the Company s Arizona Revenue Sharing investors were modified and replaced by a Revenue Sharing Agreement for the state of Florida for a price of $1,000,000. Under the terms of this agreement the Company credited the $450,000 investors had previously paid toward the purchase of the Revenue Sharing Agreement. The balance of $550,000 will be paid through their Revenue Sharing entitlements to their share of net storage revenues. The Revenue Sharing Agreement applies to net storage revenues originating from specimens from within the state of Florida. The Revenue Sharing Agreement entitles the investors to net revenues from a maximum of 33,000 storage spaces.

Illinois. In 1996, the Company signed agreements with a group of investors entitling them to an on-going 50% share in the Company s portion of net storage revenues generated by specimens stored in the Illinois Masonic Medical Center. The agreements were modified in 1998 to entitle the investors to a 50% share of the Company s portion of net revenues relating to specimens originating in Illinois and its contiguous states and stored in Clearwater, Florida for a maximum of up to 33,000 spaces.

New York. On February 26, 1999, the Company entered into a modified Revenue Sharing Agreement with Bio-Stor International, Inc. (Bio-Stor) for the state of New York. The Company will credit the $900,000 Bio-Stor had previously paid toward the purchase of 90% of the Company s 50% portion of net storage revenues generated from the specimens originating from the Company s clients in the state of New York for up to 33,000 shared spaces. This agreement supersedes all other agreements between Bio-Stor International, Inc and the Company.

On November 5, 1998 an agreement previously entered into by the Company with a private investor was revised. Per the terms of the original agreement, the investor had purchased 10% of a Revenue Sharing Agreement in the state of New Jersey. The new agreement has transferred the $100,000 investment to the state of New York. Under the revised agreement the investor will receive 10% of the 50% share in the Company s portion of net storage revenues generated by the specimens originating from the Company s clients in the state of New York for up to 33,000 spaces.

Tenet Health System Hospitals, Inc. On November 30, 1996, the Company signed agreements with OrNda HealthCorp. Two one-third Revenue Sharing Agreements were purchased in which OrNda paid the Company $666,666. OrNda was acquired by Tenet Healthcare Corporation, which agreed to be bound by the terms of the OrNda agreements. The agreements were renegotiated and the Company can store all Tenet originated specimens at its laboratory in Clearwater, Florida while paying Tenet a revenue sharing entitlement.

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New Jersey. On November 30, 1999, the Company entered into agreements with two investors entitling them to on-going shares in a portion of CRYO-CELL s net storage revenue generated by specimens originating from within the state of New Jersey for a price of $500,000. Deposits totaling $50,000 were received upon signing of the agreements and the remaining $450,000 was originally due in May 2000. As of August 31, 2002, the Company received $130,000. The agreement originally required the notes to be paid in full by May 31, 2000. The Company had extended the payment terms of these notes to August 31, 2002. The Company did not receive the final payment due. In conversations with the two investors, the Company was informed that they were unable to pay the notes. The Company is in the process of foreclosing and has deemed the $370,000 receivable to be uncollectable. This amount has been fully reserved for and charged to operations as a provision for doubtful accounts.

Texas. On May 31, 2001 the Company entered into an agreement with two investors affiliated with the Company entitling them to on-going shares in a portion of CRYO-CELL s net storage revenue generated by specimens originating from within the State of Texas for a price of $750,000. An initial deposit of $50,000 was received upon signing of the agreement and the remaining balance of $700,000 was paid on August 30, 2001. The investors are entitled to a 37.5% share of net storage revenues originating in the State of Texas to a maximum of 33,000 storage spaces.

NOTE 14: STEM CELL PRESERVATION TECHNOLOGIES, INC. REVENUE SHARING AGREEMENT

On August 9, 2002, the Company agreed to enter into revenue sharing agreements (RSAs) with its majority owned subsidiary, SCPT. The Company is currently in the process of working to complete its previously declared dividend of shares of SCPT s common stock to the Company s shareholders of record on August 31, 2001. See Note 2. Pursuant to the terms of the RSAs, the Company pays an up-front one-time fee to SCPT in exchange for the right to receive a $17.50 payment per each primary specimen for each year the specimen remains in storage with SCPT or its storage provider. Such payment shall be payable for all customers originating from the State of Illinois and State of New York up to a maximum of 50,000 stored specimens per state. The total fee to be paid by the Company consists of $1,500,000 for each state, for an aggregate of $3,000,000, with $600,000 of the aggregate amount payable in cash and the balance payable in 645,161 shares of the Company s common stock. SCPT currently does not have any stored specimens and is anticipated to be engaged in adult stem cell preservation no later than the third quarter of 2003.

In August 2002, the Company paid $600,000 in cash to SCPT. The delivery of the 645,161 shares of Company s restricted common stock was completed in October 2002.

NOTE 15: LEGAL PROCEEDINGS

The Company is involved in the following legal proceedings:

In July 1999, the Company entered into a 20-year exclusive agreement with The Cancer Group Institute, LLC, a cancer information service. The agreement dealt with the establishment of a business for the preservation of tumor tissue relative to cancer treatment protocols. On May 23, 2002 the Company entered into a settlement agreement with The Cancer Group Institute LLC. As part of the settlement, the agreement dated July 20, 1999 between the companies is null and void. CRYO-CELL agrees to issue The Cancer Group an option to purchase twelve thousand five hundred (12,500) shares of CRYO-CELL common stock at an exercise price of $3.75 per share and the Company paid The Cancer Group the sum of $7,500 (Seven Thousand Five Hundred Dollars). The $100,000 that was previously paid as an option to purchase The Cancer Group was expensed during the second quarter in fiscal 2002 and is included in Other Expenses.

On January 30, 2002, the Company was served with a complaint by its former President and Chief Operating Officer, Wanda Dearth. The complaint (Case No. 02-000811-CI-15) was filed in the Circuit Court of the Sixth Judicial Circuit of the State of Florida, Pinellas County. The complaint alleged that the Company breached an agreement with Ms. Dearth and was seeking damages and attorney s fees. The Company s Board of Directors terminated Ms. Dearth s employment on December 19, 2001. On July 31, 2002, the Company entered into a settlement agreement with Ms. Dearth with respect to employment contract issues. As part of the settlement the Company paid $79,175.

On or about August 21, 2002, the Company was served with a complaint by its former President and Chief Operating Officer, Wanda Dearth. The complaint (Case No. 02-006665-CI-15) was filed in the Circuit Court of the Sixth Judicial Circuit of the State of Florida, Pinellas County. The complaint alleges discrimination in employment and a hostile working environment, and seeks damages in excess of $15,000. Management believes suit is without merit and the Company has adequate defenses and will vigorously defend against the action The Company has filed a counterclaim to seek recovery for a $20,000 promissory note issued to Dearth while she was an employee

On February 22, 2002 the Company received a complaint filed by Pharmastem Therapeutics, Inc. in the United States District Court of Delaware (Wilmington), Case No. 02-CV-198, alleging patent infringement. Pharmastem, a Delaware corporation, has named eight companies active in cord blood banking in the suit, which seeks an injunction against the companies, an unspecified amount of damages or royalties, treble damages and attorney s fees. The Company has consulted with their patent attorney who believes that the asserted patents are not valid and even if valid, believes that CRYO-CELL s business of collecting, processing and cryopreserving cord blood cells does not infringe either of the asserted patents. The Company also believes that the corresponding patents in other jurisdictions outside the United States have been invalidated. The litigation is still in the discovery stage, with trial scheduled for October 2003. The Company anticipates that in April, 2003, it will file a motion for summary judgment seeking disposition of the case in its favor before trial.

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NOTE 16 QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

The following tabular comparisons of the quarterly results of operations reflects a change to the third quarter of 2002 as previously reported in the Company s possessive quarterly Form 10-QSB for the issuance of shares of the Company s common stock for services rendered of $42,800. The Form 10QSB for the quarter ended August 31, 2002 has not been amended because the Board of Directors, the Company s Audit Committee and management deem the amount of change to be immaterial. The results of operations for the third and fourth quarters of fiscal 2002 reflect a charge to operations of $400,000 and $2,237,665 respectively to reflect the impairment of long-lived assets.

2002	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Net income (loss)	$ 46,642	$ (273,057)	$ (1,584,424)	$ (3,423,362)
Income (loss) per share	$	$ (0.02)	$ (0.14)	$ (0.29)
Shares used in computation	11,330,857	11,339,379	11,339,379	11,635,660

2001	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Net income (loss)	$ (287,784)	$ 642,016	$ 272,144	$ 273,258
Income (loss) per share	$ (0.03)	$ 0.06	$ 0.03	$ 0.02
Shares used in computation	10,142,485	10,194,831	10,384,844	11,194,768

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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.

By: /s/ John V. Hargiss

John V. Hargiss, Chief Executive Officer

Dated: March 14, 2003

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

SIGNATURE	TITLE	DATE
/s/ John V. Hargiss John V. Hargiss	Director, Chief Executive Officer and President	March 14, 2003
/s/ Jill M. Taymans Jill M. Taymans	Vice President, Finance, The Company s Principal Financial Officer and Principal Accounting Officer	March 14, 2003

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CERTIFICATIONS OF PRINCIPAL EXECUTIVE OFFICER

AND PRINCIPAL FINANCIAL OFFICER REQUIRED

PURSUANT TO SECTION 302 OF THE

SARBANES-OXLEY ACT OF 2002

I, John V. Hargiss, certify that:

1. I have reviewed this annual report on Form 10-KSB of CRYO-CELL International, Inc.;

2. Based on my knowledge, this annual 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 annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual 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 annual report;

4. The registrant s other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

b) evaluated the effectiveness of the registrant s disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the Evaluation Date); and

c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant s other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant s auditors and the audit committee of registrant s board of directors (or persons performing the equivalent function):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant s ability to record, process, summarize and report financial data and have identified for the registrant s auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant s internal controls; and

6. The registrant s other certifying officers and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Dated:	March 14, 2003	By:	/s/ John V. Hargiss
			John V. Hargiss
			Chief Executive Officer

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I, Jill Taymans, certify that:

1. I have reviewed this annual report on Form 10-KSB of CRYO-CELL International, Inc.;

2. Based on my knowledge, this annual 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 annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual 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 annual report;

4. The registrant s other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

b) evaluated the effectiveness of the registrant s disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the Evaluation Date); and

c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant s other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant s auditors and the audit committee of registrant s board of directors (or persons performing the equivalent function):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant s ability to record, process, summarize and report financial data and have identified for the registrant s auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant s internal controls; and

6. The registrant s other certifying officers and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Dated:	March 14, 2003	By:	/s/ Jill Taymans
			Jill Taymans
			Vice President, Finance

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EXHIBIT INDEX

Exhibit No.	Description
3.1(2)	Amended and Restated Certificate of Incorporation
3.2(2)	Amended and Restated By-Laws
10.11(3)	Amended Agreement with Bio-Stor
10.12(1)	Revenue Sharing Agreement between Stem Cell Preservation Technologies, Inc. and CRYO-CELL International, Inc.
10.13(1)	Chairman of the Board Compensation
10.14(1)	Employment agreement between John V. Hargiss and CRYO-CELL International, Inc. dated June 18, 2002
10.15(1)	Agreement with Daniel D. Richard and CRYO-CELL International, Inc. dated June 18, 2002.
10.16(4)	State Revenue Sharing Agreement for Texas
10.17(4)	Addendum Agreement to Secondary Storage Agreement
10.18(4)	Secondary Storage Agreement
23	Independent Accountants Report
99.1	Certification of the Chief Executive Officer of CRYO-CELL International, Inc. pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes Oxley Act of 2002.
99.2	Certification of the Chief Financial Officer of CRYO-CELL International, Inc. pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes Oxley Act of 2002.

(1) Incorporated by reference to the Company s Quarterly Report on Form 10-QSB for the quarter ended August 31, 2002.
(2) Incorporated by reference to the Company s Quarterly Report on Form 10-QSB for the quarter ended May 31, 2002.
(3) Incorporated by reference to the Company s Annual Report on Form 10-KSB for the year ended November 30, 1997.
(4) Incorporated by reference to the Company s Annual Report on Form 10-KSB for the year ended November 30, 2002 filed February 28, 2003.