CRYO CELL INTERNATIONAL INC
Form 10-Q
July 03, 2014
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U.S. SECURITIES AND EXCHANGE COMMISSION

WASHINGTON D.C. 20549

FORM 10-Q

(Mark One)

x **Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.**
For the quarterly period ended May 31, 2014

¨ **Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.**
For the transition period from __________ to __________

Commission File Number 0-23386

CRYO-CELL INTERNATIONAL, INC.

(Exact name of Registrant as Specified in its Charter)

DELAWARE	**22-3023093**
(State or other Jurisdiction of	**(I.R.S. Employer**

Incorporation or Organization)	**Identification No.)**

700 Brooker Creek Blvd. Oldsmar, FL 34677

(Address of Principal Executive Offices) (Zip Code)

Issuer s phone number, including area code: (813) 749-2100

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

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

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

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

Large accelerated filer ¨	Accelerated filer ¨
Non-accelerated filer ¨	Smaller reporting company x

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

State the number of shares outstanding of each of the Registrant s classes of common stock, as of the latest practicable date. As of July 3, 2014, 11,905,036 shares of $0.01 par value common stock were issued and 10,109,750 were outstanding.

CRYO-CELL INTERNATIONAL, INC. AND SUBSIDIARIES

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CRYO-CELL INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	May 31, 2014 (unaudited)	November 30, 2013
ASSETS		
Current Assets		
Cash and cash equivalents	$ 3,403,716	$ 3,925,156
Restricted cash	204,032	968,130
Marketable securities and other investments	140,560	37,910
Accounts receivable (net of allowance for doubtful accounts of $1,934,304 and $1,994,575, respectively)	4,095,710	3,336,460
Note receivable		550,782
Prepaid expenses and other current assets	575,834	644,969
Total current assets	8,419,852	9,463,407
Property and Equipment-net	1,090,831	1,207,279
Other Assets		
Investment in Saneron CCEL Therapeutics, Inc.	684,000	684,000
Deposits and other assets, net	71,144	146,116
Total other assets	755,144	830,116
Total assets	$ 10,265,827	$ 11,500,802
LIABILITIES AND STOCKHOLDERS DEFICIT		
Current Liabilities		
Accounts payable	$ 1,160,024	$ 1,194,825
Accrued expenses	1,220,637	1,800,811
Deferred revenue	6,405,134	6,814,797
Total current liabilities	8,785,795	9,810,433
Other Liabilities		
Deferred revenue, net of current portion	8,908,751	8,658,354
Long-term liability - revenue sharing agreements	2,300,000	2,300,000
Total other liabilities	11,208,751	10,958,354

Commitments and Contingencies (Note 7)

Stockholders Deficit		
Preferred stock ($.01 par value, 500,000 authorized and none issued)		
Common stock ($.01 par value, 20,000,000 authorized; 11,902,536 issued and 10,139,190 outstanding as of May 31, 2014 and 11,870,040 issued and 10,743,225 outstanding as of November 30, 2013)	119,025	118,700
Additional paid-in capital	27,598,674	27,265,340
Treasury stock, at cost	(4,333,401)	(2,926,123)
Accumulated deficit	(33,113,017)	(33,725,902)
Total stockholders deficit	(9,728,719)	(9,267,985)
Total liabilities and stockholders deficit	$ 10,265,827	$ 11,500,802

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

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CRYO-CELL INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

	For the Three Months Ended May 31, 2014	For the Three Months Ended May 31, 2013	For the Six Months Ended May 31, 2014	For the Six Months Ended May 31, 2013
Revenue:				
Processing and storage fees	$ 4,723,435	$ 4,530,333	$ 9,080,666	$ 8,806,886
Licensee income	169,411	328,230	1,132,662	651,764
Total revenue	4,892,846	4,858,563	10,213,328	9,458,650
Costs and Expenses:				
Cost of sales	1,489,705	1,375,024	2,824,066	2,654,837
Selling, general and administrative expenses	2,753,140	2,957,968	5,875,863	5,653,246
Abandonment of patents	25,649	378,837	25,649	378,837
Research, development and related engineering	18,323	7,065	32,691	17,986
Depreciation and amortization	43,699	50,841	88,204	101,855
Total costs and expenses	4,330,516	4,769,735	8,846,473	8,806,761
Operating Income	562,330	88,828	1,366,855	651,889
Other Income (Expense):				
Other income	7,474	10,969	35,243	23,226
Interest expense	(252,544)	(262,211)	(526,860)	(512,749)
Total other expense	(245,070)	(251,242)	(491,617)	(489,523)
Income (loss) before equity in losses of affiliate and income tax expense	317,260	(162,414)	875,238	162,366
Equity in losses of affiliate	(76,076)	(38,450)	(189,651)	(76,900)
Income before income tax expense	241,184	(200,864)	685,587	85,466
Income tax expense	(25,411)	(42,794)	(72,702)	(85,118)
Net Income (loss)	$ 215,773	$ (243,658)	$ 612,885	$ 348
Net income (loss) per common share - basic	$ 0.02	$ (0.02)	$ 0.06	$ 0.00

Weighted average common shares outstanding - basic	10,250,471	10,946,743	10,467,914	10,964,370
Net income (loss) per common share - diluted	$ 0.02	$ (0.02)	$ 0.06	$ 0.00
Weighted average common shares outstanding - diluted	10,406,607	10,946,743	10,595,590	11,082,564

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

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CRYO-CELL INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	For the Six Months Ended May 31, 2014	May 31, 2013
Cash flows from operating activities:		
Net income	$ 612,885	$ 348
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization expense	191,675	206,103
Abandonment of patents	25,649	378,837
Loss on sale of property and equipment		44,428
Compensatory element of stock options	207,843	161,841
Provision for doubtful accounts	374,966	223,786
Equity in losses of affiliate	189,651	76,900
Changes in assets and liabilities:		
Accounts receivable	(1,134,216)	(98,631)
Notes receivable	550,782	
Prepaid expenses and other current assets	69,135	57,237
Deposits and other assets, net	47,628	13,000
Accounts payable	(34,801)	67,544
Accrued expenses	(580,174)	(96,550)
Deferred revenue	(159,266)	54,553
Net cash provided by operating activities	361,757	1,089,396
Cash flows from investing activities:		
Release of restricted cash held in escrow	764,098	70,831
Purchases of property and equipment	(73,532)	(230,369)
Purchases of marketable securities and other investments, net	(102,650)	(12,110)
Investments in patents		(34,525)
Investment in affiliate	(112,500)	
Net cash provided by (used in) investing activities	475,416	(206,173)
Cash flows from financing activities:		
Treasury stock purchases	(1,407,278)	(667,966)
Proceeds from the exercise of stock options	48,665	11,825
Net cash used in financing activities	(1,358,613)	(656,141)
(Decrease) increase in cash and cash equivalents	(521,440)	227,082

Cash and cash equivalents - beginning of period	3,925,156	2,677,382
Cash and cash equivalents - end of period	$ 3,403,716	$ 2,904,464

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

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CRYO-CELL INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

May 31, 2014

(Unaudited)

Note 1 - Basis of Presentation and Significant Accounting Policies

The unaudited consolidated financial statements including the Consolidated Balance Sheets as of May 31, 2014 and November 30, 2013, the related Consolidated Statements of Operations for the three and six months ended May 31, 2014 and May 31, 2013 and the Consolidated Statements of Cash Flows for the six months ended May 31, 2014 and 2013 have been prepared by Cryo-Cell International, Inc. and its subsidiaries (the Company or Cryo-Cell) pursuant to the rules and regulations of the Securities and Exchange Commission for interim financial reporting. Certain financial information and note disclosures, which are normally included in annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America, have been condensed or omitted pursuant to those rules and regulations. It is suggested that these consolidated financial statements be read in conjunction with the financial statements and notes thereto included in the Company s November 30, 2013 Annual Report on Form 10-K. In the opinion of management, all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial position, results of operations, and changes in cash flows for all periods presented have been made. The results of operations for the three and six months ended May 31, 2014 are not necessarily indicative of the results expected for any interim period in the future or the entire year ending November 30, 2014.

Revenue Recognition

Revenue Recognition for Arrangements with Multiple Deliverables

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

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

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

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

Income Taxes

Deferred income tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred income tax assets and liabilities are measured using enacted tax rates expected to be recovered or settled. The Company has recorded a valuation allowance of $10,443,000 and $10,852,000 as of May 31, 2014 and November 30, 2013, respectively, as the Company does not believe it is more likely than not that all future income tax benefits will be realized. When the Company changes its determination as to the amount of deferred income tax assets that can be realized, the valuation allowance is adjusted with a corresponding impact to income tax expense in the period in which such determination is made. The ultimate realization of the Company s deferred income tax assets depends upon generating sufficient taxable income prior to the expiration of the tax attributes. In assessing the need for a valuation allowance, the Company projects future levels of taxable income. This assessment requires significant judgment. The Company examines the evidence related to the recent history of income or losses, the economic conditions in which the Company operates and forecasts and projections to make that determination.

There was no U.S. income tax expense for the three and six months ended May 31, 2014 due to the utilization of net operating losses and foreign tax credit carryforwards, which were not previously benefited in the Company s financial statements.

The Company records foreign income taxes withheld from installment payments of non-refundable up-front license fees and royalty income earned on the processing and storage of cord blood stem cell specimens in geographic areas where the Company has license agreements. The Company recognized approximately $25,000 and $43,000 for the three months ended May 31, 2014 and 2013, respectively, of foreign income tax expense. The Company recognized approximately $73,000 and $85,000 for the six months ended May 31, 2014 and 2013, respectively, of foreign income tax expense. Foreign income tax expense is included in income tax expense in the accompanying consolidated statements of operations.

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

The Company recognizes interest and penalties related to uncertain tax positions in income tax expense. For the three and six months ended May 31, 2014 and May 31, 2013, 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 six months ended May 31, 2014 and 2013.

Due to tests performed during the six months ended May 31, 2014 and May 31, 2013, management decided to discontinue pursuing certain patents and trademarks related to the Company s menstrual stem cell technology resulting in a write-off of approximately $26,000 and $379,000, respectively, for abandoned patents and trademarks which is reflected as abandonment of patents in the accompanying consolidated statements of operations. The impact to future operations is insignificant and it will not impact the Company s core operations.

Stock Compensation

As of May 31, 2014, the Company has three stock-based compensation plans, which are described in Note 4 to the consolidated financial statements. The Company s third stock-based employee compensation plan became effective December 1, 2011 as approved by the Board of Directors and approved by the stockholders at the 2012 Annual Meeting. The Company recognized approximately $56,000 and $72,000 for the three months ended May 31, 2014 and May 31, 2013, respectively, of stock compensation expense. The Company recognized approximately $208,000 and $162,000 for the six months ended May 31, 2014 and May 31, 2013, respectively, of stock compensation expense.

The Company recognizes stock-based compensation based on the fair value of the related awards. Under the fair value recognition guidance of stock-based compensation accounting rules, stock-based compensation expense is estimated at the grant date based on the fair value of the award and is recognized as expense over the requisite service period of the award. The fair value of service-based vesting condition and performance-based vesting condition stock option awards is determined using the Black-Scholes valuation model. For stock option awards with only service-based vesting conditions and graded vesting features, the Company recognizes stock compensation expense based on the graded-vesting method. 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

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model. The use of these valuation models involve 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.

Performance-based equity awards 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 recognized stock-based compensation expense is reversed.

Equity awards with market-based vesting conditions 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, notes receivable, accounts payable and accrued expenses approximate fair value.

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

Level 1	Quoted prices in active markets for identical assets or liabilities.
Level 2	Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
Level 3	

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

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The following table summarizes the financial assets and liabilities measured at fair value on a recurring basis as of May 31, 2014 and November 30, 2013, respectively, segregated among the appropriate levels within the fair value hierarchy:

Description	Fair Value at May 31, 2014	Fair Value Measurements at May 31, 2014 Using Level 1	Level 2	Level 3
Assets:				
Trading securities	$ 140,560	$ 140,560		

Description	Fair Value at November 30, 2013	Fair Value Measurements at November 30, 2013 Using Level 1	Level 2	Level 3
Assets:				
Trading securities	$ 37,910	$ 37,910		

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

Trading securities Fair values for these investments are based on quoted prices in active markets and are therefore classified within Level 1 of the fair value hierarchy.

Fair value for these investments are based on quoted prices in active markets. There was $7,354 and $2,010 in unrealized holding gain and loss, respectively, recorded in other income and expense on the accompanying consolidated statements of operations for the three months ended May 31, 2014 and 2013. There was $22,879 and $2,390 in unrealized holding gain and loss, respectively, recorded in other income and expense on the accompanying consolidated statements of operations for the six months ended May 31, 2014 and 2013.

Product Warranty and Cryo-Cell Cares™ Program

In December 2005, the Company began providing its customers that enrolled after December 2005 a payment warranty under which the Company agrees to pay $50,000 to its client if the umbilical cord blood product retrieved is used for a stem cell transplant for the donor or an immediate family member and fails to engraft, subject to various restrictions. Effective February 1, 2012, the Company increased the $50,000 payment warranty to a $75,000 payment warranty to all of its new clients. Additionally, under the Cryo-Cell Cares™ program, the Company will pay $10,000 to the client to offset personal expenses if the umbilical cord blood product is used for bone marrow reconstitution in a myeloblative transplant procedure. The product warranty and the Cryo-Cell Cares program are available to clients who enroll under this structure for as long as the specimen is stored with the Company. The Company has not experienced any claims under the warranty program nor has it incurred costs related to these warranties. The Company does not maintain insurance for this warranty program and therefore maintains reserves to cover any estimated potential liabilities. The Company s reserve balance is based on the $75,000 or $50,000 (as applicable) maximum payment and the $10,000 maximum expense reimbursement multiplied by formulas to determine the projected number of units requiring a payout. The Company determined the estimated expected usage and engraftment failure rates based on an analysis of the historical usage and failure rates and the historical usage and failure rates in other private and public cord blood banks based on published data. The Company s estimates of expected usage and engraftment failure could change as a result of changes in actual usage rates or failure rates and such changes would require an adjustment to the established reserves. The historical usage and failure rates have been very low and a small increase in the number of transplants or engraftment failures could cause a significant increase in the estimated rates used in determining the Company s reserve. In addition, the reserve will increase as additional umbilical cord blood specimens are stored which are subject to the warranty. As of May 31, 2014 and November 30, 2013 the Company recorded reserves under these programs in the amounts of $16,162 and $15,608, respectively, which are included in accrued expenses in the accompanying consolidated balance sheets.

Recently Issued Accounting Pronouncements

In July 2013, the FASB issued Accounting Standards Update No. 2013-11, *Income Taxes (Topic 740): Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists* (ASU 2013-11). This update will require companies to present an unrecognized tax benefit, or a portion of an unrecognized tax benefit, as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward, unless certain conditions exist. ASU 2013-11 is effective for interim and annual periods beginning after December 15, 2013, with early adoption permitted. The Company adopted ASU 2013-11 in the first quarter of 2014. The adoption of ASU 2013-11 had no impact on the Company s consolidated financial statements or on its financial condition.

In September 2013, the Internal Revenue Service issued final regulations governing the income tax treatment of the acquisition, disposition and repair of tangible property. The regulations are effective for taxable years beginning on or after January 1, 2014. The Company does not expect these new regulations to have a material impact on the financial statements.

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Note 2 Income (Loss) per Common Share

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

	Three Months Ended		Six Months Ended	
	May 31, 2014	May 31, 2013	May 31, 2014	May 31, 2013
Numerator:				
Net Income (Loss)	$ 215,773	($ 243,658)	$ 612,885	$ 348
Denominator:				
Weighted-average shares outstanding-basic	10,250,471	10,946,743	10,467,914	10,964,370
Dilutive common shares issuable upon exercise of stock options	156,136		127,676	118,194
Weighted-average shares-diluted	10,406,607	10,946,743	10,595,590	11,082,564
Net income (loss) per common share:				
Basic	$ 0.02	($ 0.02)	$ 0.06	$ 0.00
Diluted	$ 0.02	($ 0.02)	$ 0.06	$ 0.00

For the three and six months ended May 31, 2014, the Company excluded the effect of 296,001 and 419,334, respectively, 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 May 31, 2013, due to the Company incurring net losses, the Company excluded the effect of all outstanding stock options from the computation of diluted earnings per share, as the effect of potentially dilutive shares would be anti-dilutive.

For the six months ended May 31, 2013, the Company excluded the effect of 457,000 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 3 - Investment in Saneron CCEL Therapeutics, Inc. (Saneron)

As of May 31, 2014 and November 30, 2013, the Company had an ownership interest of approximately 34% in Saneron, which is accounted for under the equity method of accounting. During 2006, the Company ceased recording its share of Saneron s losses once the investment balance was written down to the total amount of goodwill, as goodwill is not amortized. As of May 31, 2014 and November 30, 2013, the net Saneron investment, which represents goodwill, is reflected on the consolidated balance sheets at $684,000. As of May 31, 2014 and November 30, 2013, management reviewed the Saneron investment to determine if there were any indicators that would imply that the investment was impaired. Based on management s review, there were no indicators of other than temporary impairment and goodwill was not impaired as of May 31, 2014 and November 30, 2013.

In October 2013, the Company entered into a Convertible Promissory Note Purchase Agreement with Saneron. Cryo-Cell will loan Saneron in quarterly payments an aggregate amount up to $300,000, subject to certain conditions. The initial loan amount is $150,000 to be paid in four quarterly installments of $37,500 per quarter. If after the initial loan amount, Saneron has made best efforts, satisfactory to Cryo-Cell in its sole discretion, to have started independently or via serving as a sponsor of a clinical trial related to its U-CORD-CELL program, then Cryo-Cell agrees to lend Saneron an additional $150,000 through a series of four additional quarterly payments of $37,500. Upon receipt of each quarterly payment, Saneron will deliver a convertible promissory note (Note) that matures five years from the date of the Note. Upon maturity of any Note, Saneron will have the option to repay all or a portion of the loan in cash or convert the outstanding principal and accrued interest under the applicable Note(s) into shares of Saneron common stock. The Company has made the three quarterly payments of $37,500 as of May 31, 2014.

For the three and six months ended May 31, 2014, the Company recorded equity in losses of Saneron operations of approximately $76,076 and $189,651. For the three and six months ended May 31, 2014, $37,500 and $112,500, respectively, was related to valuation allowances associated with the Note entered into as discussed above and $38,576 and $77,151, respectively, related to certain stock and warrant awards in Saneron common stock that were granted by Saneron at below fair value to certain employees, consultants and members of Saneron management who represent owners of Saneron and serve on its board of directors. For the three and six months ended May 31, 2013, the Company recorded equity in losses of Saneron operations of approximately $38,450 and $76,900, respectively, related to certain stock and warrant awards in Saneron common stock that were granted by Saneron at below fair value to certain employees, consultants and members of Saneron management who represent owners of Saneron and serve on its board of directors. The Company will continue to record equity in losses of affiliates related to stock compensation expense as this offsets additional paid-in capital and not the investment balance.

As of May 31, 2014 and November 30, 2013, the Company has classified the Company s portion of the value of Company stock held by Saneron of approximately $485,000 within stockholders deficit as treasury stock.

Note 4 Stockholder s Equity

Common Stock Issuances

During the three and six months ended May 31, 2014, the Company issued 32,496 common shares to option holders who exercised options for $48,665. During the three and six months ended May 31, 2013, the Company issued 7,500 common shares to option holders who exercised options for $11,825.

Employee Stock Incentive Plan

The Company maintains the 2000 Stock Incentive Plan as amended (the 2000 Plan) that has reserved 2,250,000 shares of the Company s common stock for issuance pursuant to stock options or restricted stock. Options issued under the Plan have a term ranging from five to seven years from the date of grant and have a vesting period ranging from immediately upon issuance to three years from the date of grant. The options are exercisable for a period of 90 days after termination. As of May 31, 2014 and November 30, 2013, there were 2,500 and 12,500 shares outstanding under the 2000 Plan, respectively. No further options will be issued under the 2000 Plan.

The Company also maintains the 2006 Stock Incentive Plan (the 2006 Plan). The 2006 Plan 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 other stock awards (i.e. performance shares and performance units). As of May 31, 2014 and November 30, 2013, there were 653,516 and 739,760 shares outstanding under the 2006 Plan, respectively. As of May 31, 2014, there were 220,342 shares available for future issuance under the 2006 Plan.

The Company also maintains the 2012 Equity Incentive Plan (the 2012 Plan) which became effective December 1, 2011 as approved by the Board of Directors and approved by the stockholders at the 2012 Annual Meeting on July 10, 2012. The 2012 Plan originally reserved 1,500,000 shares of the Company s common stock for issuance pursuant to stock options, restricted stock, SARs, and other stock awards (i.e. performance shares and performance units). In May 2012, the Board of Directors approved an amendment to the 2012 Plan to increase the number of shares of the Company s common stock reserved for issuance to 2,500,000 shares. As of May 31, 2014, there were 400,000 service-based options issued, 129,729 service-based restricted common shares granted, 261,488 performance-based and 87,162 market-based restricted common shares granted under the 2012 plan. As of November 30, 2013, there were 400,000 service-based options issued, 400,000 performance-based and 200,000 market-based options to purchase shares granted under the 2012 plan. As of May 31, 2014, there were 1,621,621 shares available for future issuance under the 2012 Plan.

Service-based vesting condition options

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

There were no options granted during the three and six months ended May 31, 2014.

Variables used to determine the fair value of the options granted for the three and six months ended May 31, 2013 are as follows:

	Three Months Ended May 31, 2013	Six Months Ended May 31, 2013
Weighted average values:		
Expected dividends	0%	0%
Expected volatility	112.4%	113.3%
Risk free interest rate	.81%	.81%
Expected life	5 years	5 years

The range of expected volatilities for options issued during the six months ended May 31, 2013 are as follows:

May 31, 2013

111.6% - 114.9%

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Stock option activity for options with only service-based vesting conditions for the six months ended May 31, 2014, was as follows:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Outstanding at November 30, 2013	1,112,260	$ 2.11	6.40	$ 88,614
Granted				
Exercised	32,496	1.50		31,149
Expired/forfeited	(63,748)	2.13		23,700
Outstanding at May 31, 2014	1,016,016	$ 2.13	6.20	$ 435,491
Exercisable at May 31, 2014	972,270	$ 2.12	6.27	$ 427,684

The weighted average grant date fair value of options granted during the six months ended May 31, 2013 was $1.67.

The aggregate intrinsic value represents the total value of the difference between the Company s closing stock price on the last trading day of the period and the exercise price of the options, multiplied by the number of in-the-money stock options that would have been received by the option holders had all option holders exercised their options on either November 30, 2013 or May 31, 2014, as applicable. The intrinsic value of the Company s stock options changes based on the closing price of the Company s stock.

During the six months ended May 31, 2014 the Company issued 32,496 common shares to option holders who exercised options for $48,665.

During the six months ended May 31, 2013 the Company issued 7,500 common shares to option holders who exercised options for $11,825.

Significant option groups outstanding and exercisable at May 31, 2014 and related price and contractual life information are as follows:

	Outstanding			Exercisable	
Range of Exercise Prices	Outstanding	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Outstanding	Weighted Average Exercise Price
$0.42 to $1.00	2,500	1.20	$ 0.68	2,500	$ 0.68
$1.01 to $2.00	488,013	6.80	$ 1.72	480,928	$ 1.71

\$2.01 to \$3.00	525,503	5.66	$	2.52	488,842	$	2.52
	1,016,016	6.20	$	2.13	972,270	$	2.12

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A summary of the status of the Company s non-vested shares as of May 31, 2014, and changes during the six months ended May 31, 2014, is presented below:

	Shares	Weighted Average Grant-Date Fair Value
Non-vested at November 30, 2013	109,152	$ 1.79
Granted		
Vested	(43,743)	1.67
Forfeited	(21,663)	1.84
Non-vested at May 31, 2014	43,746	$ 1.86

As of May 31, 2014, there was approximately $25,000 of total unrecognized compensation cost related to non-vested share-based compensation arrangements granted under the 2000 Plan, the 2006 Plan and the 2012 Plan. The cost is expected to be recognized over a weighted-average period of .47 years as of May 31, 2014. The total fair value of shares vested during the six months ended May 31, 2014 was approximately $73,000.

Performance and market-based vesting condition options

There were no performance-based or market-based vesting condition options granted during the three and six months ended May 31, 2014 and May 31, 2013.

Stock option activity for options with performance-based and market-based vesting conditions for the six months ended May 31, 2014, was as follows:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value
Outstanding at November 30, 2013	640,000	$ 1.74	7.83	$ 70,000
Granted				
Exercised				
Expired/forfeited	(600,000)	1.72		
Outstanding at May 31, 2014	40,000	$ 2.05	4.76	$ 16,000
Exercisable at May 31, 2014				

As of fiscal year ended November 30, 2013, the Company had 213,334 options outstanding that begin to vest based on the achievement of certain share prices of the Company s common stock at certain future dates. 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 binomial model and is being recognized over the requisite service period, regardless if the market condition will be met. During the first quarter fiscal 2014, 200,000 options were forfeited as certain market conditions were not met by the end of the requisite service period. As of May 31, 2014 there was approximately $6,200 of total unrecognized compensation cost related to the non-vested market-based vesting condition options.

As of fiscal year ended November 30, 2013, the Company had 426,666 options outstanding that require certain performance targets to be met before vesting can occur. During the first quarter fiscal 2014, 400,000 options were forfeited as certain performance targets were not met by the end of the requisite service period. Management has deemed the performance targets for the remaining 26,666 options to be improbable as of May 31, 2014 and thus no compensation cost has been recognized to date. The Company will reevaluate the probability of achieving these targets on a quarterly basis, and adjust compensation expense accordingly. As of May 31, 2014, there was approximately $44,000 of total unrecognized compensation cost related to the non-vested performance-based vesting condition options. If the performance conditions are not achieved by a certain date as specified in each option agreement, no compensation expense associated with these performance based options will be recognized.

Restricted common shares

During the first quarter 2014, the Company entered into Amended and Restated Employment Agreements (Employment Agreements) with each of the Company s Co-CEOs. Per the Employment Agreements, each of the Co-CEOs is to receive base grant equity awards in the form of restricted shares of the Company s common stock. As of December 1, 2013, David Portnoy and Mark Portnoy were granted 70,270 and 59,459 shares of the Company s common stock, respectively. The shares shall be issued under the Company s 2012 Stock Plan and will vest 1/3 upon grant, 1/3 on December 1, 2014 and the remaining 1/3 on December 1, 2015. The fair value of the shares vested as of May 31, 2014 was $80,000 and is reflected as selling, general and administration expenses in the accompanying consolidated statement of operations. These shares are not reflected as outstanding in the accompanying financial statements as they were issued subsequent to the balance sheet date. As of May 31, 2014, there was approximately $120,000 of total unrecognized compensation cost related to the non-vested shares of restricted common stock.

The Employment Agreements also provide for the grant of restricted shares of the Company s common stock based on certain performance measures being attained by each of the Company s Co-CEOs. The Employment Agreements state if David Portnoy and Mark Portnoy are employed by the Company on November 30, 2014, then no later than February 15, 2015, the Company will grant up to 186,487 and 162,163 shares of restricted common shares, respectively, based on certain performance thresholds, as defined in the agreements. In addition, if David Portnoy and Mark Portnoy are employed by the Company on November 30, 2015, then no later than February 15, 2016, the Company will grant up to an additional 186,487 and 162,163 shares of restricted common shares, respectively, based on similar performance thresholds, as defined in the agreements. As of May 31, 2014, there was approximately $15,000 of total unrecognized compensation cost related to the non-vested performance-based shares of restricted common stock.

Note 5 License Agreements

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

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Technology Agreements

The Company has entered into definitive License and Royalty Agreements with Cryo-Cell de Mexico (Mexico) and Asia Cryo-Cell Private Limited to establish and market its umbilical cord blood program in Mexico and India, respectively.

The Company has entered into definitive License and Royalty Agreements with Asia Cryo-Cell Private Limited and S-Evans Bio-Sciences, Inc. to establish and market its menstrual stem cell program in India and China, respectively.

On August 19, 2011, the Company received notification from Mexico that it was terminating the license agreement effective immediately due to an alleged breach of the license agreement. On October 17, 2011, the Company and Mexico entered into an amendment to the license agreement whereby the termination was revoked and Mexico will pay the Company $1,863,000 in 37 monthly installments of $50,000 beginning on October 17, 2011 with a final payment of $13,000. The amendment will result in a reduction of licensee income in future periods. In December 2013, Mexico paid the balance due of $563,000. The Company recognized the balance paid as licensee and interest income during the six months ended May 31, 2014 in the accompanying consolidated statement of operations. Mexico has no other continuing obligations to the Company for royalties or other license payments and the agreement is terminated.

As of May 31, 2014 and November 30, 2013, the Company recorded a receivable of $0 and $550,782, respectively, and deferred revenue of $0 and $551,585, respectively, in the accompanying consolidated balance sheets. Note receivable is calculated using the present value of all of the monthly installments using a discount rate that reflects both the risk-free rate at the inception of the contract and the contract period. In accordance with the agreement, the Company received six installments of $50,000 during the six months ended May 31, 2013, which is reflected in the consolidated statement of operations as of May 31, 2013 as licensee and other income.

Marketing Agreements

The Company has definitive license agreements to market the Company s umbilical cord blood stem cell programs in Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, Panama and Pakistan. In October 2012, the Company sent a notice of termination to the Company s Venezuelan affiliate for failure to meet its payment obligation in accordance with the contract. Subsequent to the notice of termination, payment was received for outstanding processing and storage fees due from Venezuela. The Company is in the process of discussing a new agreement. The Company continues to accept umbilical cord blood stem cell specimens to be processed and stored during the negotiations. In December 2012, the Company sent a notice of termination to the Company s affiliate in Ecuador for failure to meet its payment obligation in accordance with the contract. Subsequent to the notice of termination, payment was received for outstanding processing and storage fees due from Ecuador. In August 2013, the Company was notified that its affiliate in Ecuador was closed by the National Institute of Organic Donation (INDOT). As a result, the Company recorded an allowance for uncollectible receivables for the $150,000 processing and storage fee receivable due from Ecuador in the third quarter of fiscal 2013. During the fourth quarter of fiscal 2013, the Company began to bill the Ecuadorian clients directly for cord blood specimens that are stored at the Company s facility in Oldsmar, Florida.

Processing and storage revenues from specimens originating in territories that store at the Company s facility in Oldsmar, Florida totaled $449,664 and $382,979 for the three months ended May 31, 2014 and May 31, 2013, respectively, and are reflected in processing and storage fees in the accompanying consolidated statements of operations. Processing and storage revenues from specimens originating in territories that store at the Company s facility in Oldsmar, Florida totaled $812,611 and $757,199 for the six months ended May 31, 2014 and May 31, 2013, respectively, and are reflected in processing and storage fees in the accompanying consolidated statements of operations.

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The following table details the initial license fees for the technology and marketing agreements and processing and storage royalties earned under the technology agreements for the three and six months ended May 31, 2014 and May 31, 2013. The initial license fees and processing and storage royalties are reflected in licensee income in the accompanying consolidated statements of operations.

	Three Months Ended May 31, 2014			Six Months Ended May 31, 2014		
	License Fee	Process and Storage Royalties	Total	License Fee	Process and Storage Royalties	Total
India	$	$ 169,411	$ 169,411	$	$ 338,823	$ 338,823
Mexico					793,839	793,839
Total	$	$ 169,411	$ 169,411	$	$ 1,132,662	$ 1,132,662

	Three Months Ended May 31, 2013			Six Months Ended May 31, 2013		
	License Fee	Process and Storage Royalties	Total	License Fee	Process and Storage Royalties	Total
India	$	$ 169,412	$ 169,412	$	$ 338,824	$ 338,824
Mexico		158,818	158,818		312,940	312,940
Total	$	$ 328,230	$ 328,230	$	$ 651,764	$ 651,764

Note 6 Proxy Contest

In August 2007, Mr. David Portnoy (the plaintiff) brought an action against the Company and its directors in Delaware Chancery Court in New Castle County. The plaintiff alleged breaches of fiduciary duties in connection with the Company s 2007 Annual Meeting and requested declaratory and injunctive relief relating to the election of directors at that meeting. On January 22, 2008, the Court issued an order under which the Company was required to hold a special meeting of stockholders for the election of directors on March 4, 2008 and the order provided that directors who sat on the Company s Board of Directors prior to the 2007 Annual Meeting would continue in office until the special meeting. On March 4, 2008, the Company held a Special Meeting of Stockholders, at which the directors nominated in management s proxy statement dated February 11, 2008 were elected by the Company s stockholders.

On May 9, 2011, the Company was notified that Mr. David Portnoy nominated five directors to the Company s board of directors to compete with the Company s board of directors at the 2011 Annual Meeting. Mr. Portnoy conducted his own solicitation of the Company s stockholders in favor of his nominees. In light of the activities associated with the 2007 annual meeting, on June 6, 2011, Mr. Portnoy brought another action seeking declaratory relief in the Delaware Chancery Court.

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On August 24, 2011, the Board of Directors of the Company approved funding a Grantor trust to escrow the amounts that may become payable to certain members of senior management (the Participants) under their respective Employment Agreements as a result of a Change in Control (as that term is defined in the respective employment agreements as a majority change in the Company s Board of Directors). On August 25, 2011, the Company transferred $2,500,000 to the Trust which is designated as restricted cash. The Trust became irrevocable upon the Change in Control on August 25, 2011. During the three months ended May 31, 2014 and May 31, 2013, $0 and $41,287, respectively, in legal fees were paid from the trust on behalf of one of the Participants. During the six months ended May 31, 2014 and May 31, 2013, $1,790 and $49,721, respectively, in legal fees were paid from the trust on behalf of one of the Participants. During the second quarter fiscal 2014, the balance in the trust was transferred to the Company. As of May 31, 2014 and November 30, 2013 the balance in the trust is $0 and $764,192, respectively, which is reflected in the accompanying consolidated balance sheets as of May 31, 2014 and November 30, 2013. As of May 31, 2014, one of the three Participants continues to be employed by the Company.

The Company held its 2011 Annual Meeting of Stockholders on August 25, 2011 at which meeting Mr. Portnoy s nominees were elected to the Company s Board of Directors triggering a complete change in the Company s Board of Directors.

On May 30, 2012, the Company received a Nomination Solicitation Notice nominating six individuals to the Company s board of directors to compete with the Company s board of directors at the 2012 Annual Meeting. Pursuant to the Co-CEOs employment agreements, upon receipt by the Company of this Nomination Solicitation Notice, as defined in the Company s Bylaws, all of the service-based vesting condition options that were issued to the Co-CEOs vested.

Note 7 Legal Proceedings

On February 25, 2011, a Complaint and Demand for Jury Trial was filed against the Company in the United States District Court, Middle District of Florida, Tampa Division, styled: Charles D. Nyberg; Mary J. Nyberg; and Red Rock Partners, an Arizona general partnership vs. Cryo-Cell International, Inc, Case No. 8:11-CV-399-T-30AEP. The Complaint was amended on May 25, 2011 and served on the Company on May 26, 2011. The Complaint alleged that the Company had underpaid amounts owed to plaintiffs Florida and Texas Revenue Sharing Agreements with the Company. The Complaint did not specify the amount claimed, other than stating that it was more than $75,000 which is the jurisdictional amount of the court the complaint was filed in.

On November 15, 2013, the parties came to a final settlement on this action. The terms of the settlement are confidential. Upon completion of the settlement, the claims in the lawsuit were dismissed with prejudice. In December 2013, the Company paid $525,000 in full settlement. The Company recorded an accrual of $525,000 which is reflected in accrued expenses on the accompanying consolidated financial statements as of November 30, 2013.

On November 13, 2013, Plantiff Ki Yong Choi filed a Verified Shareholder Derivative Complaint in the Circuit Court for the Thirteenth Judicial Circuit in and for Hillsborough County, Florida. The Complaint names as defendants all of the members of the Company s current Board of Directors, as well as former director Anthony Atala. The complaint also names the Company as a nominal defendant only. The complaint alleges that, since the election of the Company s Board of Directors in August 2011, the Company s Co-CEOs have pursued their own enrichment and entrenchment at the expense of the Company and its shareholders. The complaint asserts claims against the Board of Directors for breach of fiduciary duty, abuse of control, corporate waste, and unjust enrichment and seeks, among other things,

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rescission of certain transactions between the Company and the co-CEOs and damages from the Board of Directors. On February 14, 2014, all of the defendants filed motions to dismiss the complaint. The Company filed a motion to dismiss based on the plaintiff s failure to make a pre-suit demand on the Board of Directors or to establish that demand should be excused, as required by Delaware law. A hearing is scheduled for July 9, 2014.

On October 11, 2013, a Complaint was filed by the Company in the Circuit Court of Hillsborough County, Florida, styled: Cryo-Cell International, Inc. v. Dilworth Paxson LLP et al, Case No. 13-CA-D09980. The Complaint alleged that Dilworth Paxson LLP and a partner for the firm were negligent and breached the duty of reasonable care owed to the Company. The Complaint alleges the defendant s negligence led to the cancellation of the license agreement with Cryo-Cell de Mexico. The Company lost profits and income that would have been earned under the original agreement and was forced to renegotiate the terms of the agreement with terms far less lucrative to the Company. The defendants removed the case to the United States District Court for the Middle District of Florida as permitted because the parties are citizens of different states and the amount in controversy exceeds the jurisdictional minimum of $75,000. The case now bears a case number of 8:13-Civ-2639-T-33AEP. On June 2, 2014, a confidential settlement was executed by both parties.

In addition, from time to time the Company is subject to proceedings, lawsuits, contract disputes and other claims in the normal course of its business. The Company believes that the ultimate resolution of current matters should not have a material adverse effect on the Company s business, consolidated financial position or results of operations. It is possible, however, that there could be an unfavorable ultimate outcome for or resolution which could be material to the Company s results of operations for a particular quarterly reporting period. Litigation is inherently uncertain and there can be no assurance that the Company will prevail. The Company does not include an estimate of legal fees and other related defense costs in its estimate of loss contingencies.

Note 8 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). 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 May 31, 2014, the Company had repurchased a total of 1,763,346 shares of the Company s common stock at an average price of $2.18 per share through open market and privately negotiated transactions. The Company purchased 636,531 and 300,391 shares of the Company s common stock during the six months ended May 31, 2014 and May 31, 2013, respectively, at an average price of $2.21 per share and $2.22 per share, respectively.

Michael Soursos

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President, Chief Executive Officer, Chief Financial Officer, Principal Accounting Officer Secretary, Treasurer, and Director.

Our Director will serve in that capacity until our next annual shareholder meeting or until their successors are elected and qualified. Officers hold their positions at the will of our Board of Directors. There are no arrangements, agreements or understandings between non-management security holders and management under which non-management security holders may directly or indirectly participate in or influence the management of our affairs.

Michael Soursos, President, Chief Executive Officer, Chief Financial Officer, Principal Accounting Officer Secretary, Treasurer and Director

Mr. Soursos is a private businessman located in Kharkov, Ukraine. From March 14, 2007 until July 23, 2013, he was appointed a director and secretary of Viosolar, Inc., a public company. In January 2007 Mr. Soursos was a consultant with Bruca Trading Ltd., which provided consulting services to Viosolar Inc. amongst other clients. From April 2004 to June 2006, he was President of a private research and development laboratory located in Athens, Greece.

Mr. Soursos was chosen to be our director due to his background in technology, venture capital, investor relations and corporate governance.

There have been no transactions between the Company and Mr. Soursos since the Company’s last fiscal year which would be required to be reported herein. Mr. Soursos is not an officer or director of any other reporting issuers.

Other Directorships

Other than as disclosed above, during the last 5 years, none of our directors held any other directorships in any company with a class of securities registered pursuant to section 12 of the Exchange Act or subject to the requirements of section 15(d) of such Act or any company registered as an investment company under the Investment Company Act of 1940.

Board of Directors and Director Nominees

Since our Board of Directors has no independent directors, the decisions of the Board regarding director nominees are made by persons who have an interest in the outcome of the determination. The Board will consider candidates for directors proposed by security holders, although no formal procedures for submitting candidates have been adopted. Unless otherwise determined, at any time not less than 90 days prior to the next annual Board meeting at which a slate of director nominees is adopted, the Board will accept written submissions from proposed nominees that include the name, address and telephone number of the proposed nominee; a brief statement of the nominee’s qualifications to serve as a director; and a statement as to why the security holder submitting the proposed nominee believes that the nomination would be in the best interests of our security holders. If the proposed nominee is not the same person as the security holder submitting the name of the nominee, a letter from the nominee agreeing to the submission of his or her name for consideration should be provided at the time of submission. The letter should be accompanied by a résumé supporting the nominee's qualifications to serve on the Board, as well as a list of references.

The Board identifies director nominees through a combination of referrals from different people, including management, existing Board members and security holders. Once a candidate has been identified, the Board reviews the individual's experience and background and may discuss the proposed nominee with the source of the recommendation. If the Board believes it to be appropriate, Board members may meet with the proposed nominee before making a final determination whether to include the proposed nominee as a member of the slate of director nominees submitted to security holders for election to the Board.

Advisory Board

Gennadiy Petrovich Glazunov

On September 27, 2013, the Company entered into a consulting agreement with Gennadiy Petrovich Glazunov (“Glazunov”) whereby Glazunov shall provide services to the Company as an independent contractor to join the Scientific Advisory Board of the Company to consult with and provide advice to the Company’s management in respect of matters related to the Company’s operations and business development for a period of two years beginning on September 30, 2013 and extendable for an additional two years by mutual agreement. Mr. Glazunov was the original author of our patent pending.

Mr. Glazunov is the Senior Scientist and Group Leader from 1990 at the Institute of Plasma Physics of National Science Center “Kharkov Institute of Physics & Technology”. He graduated with a B.Sc. degree in physics from Kharkov State University in 1966 and received his Ph.D in solid state physics from the Kharkov Polytechnic Institute in 1986. His primary field of work is in plasma-material inter-actions in fusion devices, studies of erosion, hydrogen permeation through pd and other materials, outgassing behavior of various materials and hydrogen generation. He is the author and co-author of more than 200 scientific works, including 14 patented inventions. He has collaborated with scientists from the Institute of Nuclear Problems (Poland), the National Institute of Fusion Synthesis (Japan), the Argonne National laboratory and Sandia National laboratories in the U.S.A. He has eight publications on hydrogen generation problems from 1997 through to 2013.

Conflicts of Interest

Our directors are not obligated to commit their full time and attention to our business and, accordingly, they may encounter a conflict of interest in allocating their time between our operations and those of other businesses. In the course of their other business activities, they may become aware of investment and business opportunities which may be appropriate for presentation to us as well as other entities to which they owe a fiduciary duty. As a result, they may have conflicts of interest in determining to which entity a particular business opportunity should be presented. They may also in the future become affiliated with entities that are engaged in business activities similar to those we intend to conduct.

In general, officers and directors of a corporation are required to present business opportunities to the corporation if:

- the corporation could financially undertake the opportunity;
- the opportunity is within the corporation’s line of business; and
- it would be unfair to the corporation and its stockholders not to bring the opportunity to the attention of the corporation.

We have adopted a code of ethics that obligates our directors, officers and employees to disclose potential conflicts of interest and prohibits those persons from engaging in such transactions without our consent.

Significant Employees

Other than as described above, we do not expect any other individuals to make a significant contribution to our business.

Legal Proceedings

None of our directors or executive officers has, during the past ten years:

- been convicted in a criminal proceeding or been subject to a pending criminal proceeding (excluding traffic violations and other minor offences);
- had any bankruptcy petition filed by or against the business or property of the person, or of any partnership, corporation or business association of which he was a general partner or executive officer, either at the time of the bankruptcy filing or within two years prior to that time;
- been subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction or federal or state authority, permanently or temporarily enjoining, barring, suspending or otherwise limiting, his involvement in any type of business, securities, futures, commodities, investment, banking, savings and loan, or insurance activities, or to be associated with persons engaged in any such activity;
- been found by a court of competent jurisdiction in a civil action or by the SEC or the Commodity Futures Trading Commission to have violated a federal or state securities or commodities law, and the judgment has not been reversed, suspended, or vacated;
- been the subject of, or a party to, any federal or state judicial or administrative order, judgment, decree, or finding, not subsequently reversed, suspended or vacated (not including any settlement of a civil proceeding among private litigants), relating to an alleged violation of any federal or state securities or commodities law or regulation, any law or regulation respecting financial institutions or insurance companies including, but not limited to, a temporary or permanent injunction, order of disgorgement or restitution, civil money penalty or temporary or permanent cease-and-desist order, or removal or prohibition

order, or any law or regulation prohibiting mail or wire fraud or fraud in connection with any business entity; or

· been the subject of, or a party to, any sanction or order, not subsequently reversed, suspended or vacated, of any self-regulatory organization (as defined in Section 3(a)(26) of the Exchange Act (15 U.S.C. 78c(a)(26))), any registered entity (as defined in Section 1(a)(29) of the Commodity Exchange Act (7 U.S.C. 1(a)(29))), or any equivalent exchange, association, entity or organization that has disciplinary authority over its members or persons associated with a member.

Except as set forth in our discussion below in "Certain Relationships and Related Transactions, and Director Independence – Transactions with Related Persons," none of our directors, director nominees or executive officers has been involved in any transactions with us or any of our directors, executive officers, affiliates or associates which are required to be disclosed pursuant to the rules and regulations of the SEC.

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Audit Committee and Charter

We do not currently have an audit committee.

Code of Ethics

We have not yet adopted a corporate code of ethics. When we do adopt a code of ethics, we will announce it via the filing of a current report on form 8-K.

Family Relationships

There are no family relationships among our officers, directors, or persons nominated for such positions.

Executive Compensation

The following summary compensation table sets forth the total annual compensation paid or accrued by us to or for the account of our principal executive officer during the last completed fiscal year and each other executive officer whose total compensation exceeded $120,000 in either of the last two fiscal years:

SUMMARY COMPENSATION TABLE

Name	Fiscal Year Ended April 30,	Salary ($)	Bonus ($)	Stock Awards ($)	Option Awards ($)	Non-Equity Incentive Plan Compensation ($)	Nonqualified Deferred Compensation Earnings ($)	All Other Compensation ($)	Total ($)
Andre Caetano	2013	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Andre Caetano	2012	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-

We have omitted certain columns in the summary compensation table pursuant to Item 402(a)(5) of Regulation S-K as no compensation was awarded to, earned by, or paid to any of the executive officers or directors required to be reported in that table or column in any fiscal year covered by that table.

Option Grants

As of the date of this report we had not granted any options or stock appreciation rights to our named executive officers or directors.

Management Agreements

On September 30, 2013, the Company entered into a consulting agreement with its sole officer and director, Michael Soursos to provide services to the Company as the Company's President and Chief Executive Officer in regards to the Company's management and operations for the period from September 30, 2013 to October 31, 2016. Under the terms of the agreement, the Company shall pay $4,000 per month for the first six months of the contract commencing September 30, 2013, $5,000 a month for the next six months of the contract commencing March 1, 2014, $7,500 per month for the final 24 months of the contract commencing September 27, 2014. Mr. Soursos shall be required to commit approximately 80 hours per month to the Company and the services are to be re-evaluated after three months. If the services performed require time materially in excess of 80 hours per month, the parties shall agree to negotiate amended compensatory terms.

On September 27, 2013, we entered into a two year consulting agreement payable at $1,000 per month, extendable for a further period of two years with Gennadiy Glazunov whereby Mr. Glazunov shall sit on the Scientific Advisory Board of Amazonica Corp. to consult with, and provide advice to, the Company's management in respect of matters involving and relating to the Company's strategic plans, operations and business development and such other matters as the Company may reasonably request from time to time.

Compensation of Directors

Our directors did not receive any compensation for their services as directors from our inception to the date of this report. We have no formal plan for compensating our directors for their services in the future in their capacity as directors, although such directors are expected in the future to receive options to purchase shares of our common stock as awarded by our Board of Directors or by any compensation committee that may be established.

Pension, Retirement or Similar Benefit Plans

There are no arrangements or plans in which we provide pension, retirement or similar benefits to our directors or executive officers. We have no material bonus or profit sharing plans pursuant to which cash or non-cash compensation is or may be paid to our directors or executive officers, except that stock options may be granted at the discretion of the Board of Directors or a committee thereof.

Compensation Committee

We do not currently have a compensation committee of the Board of Directors or a committee performing similar functions. The Board of Directors as a whole participates in the consideration of executive officer and director compensation.

Certain Relationships and Related Transactions, and Director Independence

On April 5, 2011, the Company issued a total of 525,000,000 shares of restricted common stock to Andre Caetano, our director and officer in consideration of $3,000.

On June 2, 2010, Andre Caetano, a prior officer and director, loaned the Company $174. On July 7, 2010, he loaned the Company $325. On July 13, 2011, he loaned the Company $325. On March 29, 2012, he loaned the Company $4,100. For the year ended April 30, 2013, he loaned the Company $25,063.

For the three months period ended July 31, 2013 Mr. Caetano loaned the Company $2,200.As of July 31, 2013, the total loan amount due to Mr. Caetano was $32,187. The loan is non-interest bearing, due upon demand and unsecured.

On August 30, 2013, Andre Caetano, the principal shareholder and a former officer and director of the Company entered into a stock purchase agreement which provided for the sale of 350,000,000 shares of the common stock of the Company to Michael Soursos, the Company’s current sole director and officer for consideration of $50,000 by way of a 2-year note, which bears interest at the rate of 10% per year, is due and payable in two years. In addition, Mr. Caetano is entitled to five percent (5%) of the proceeds from the sale of any of the 350,000, 000 shares that may be sold during such two-year period.

On October 4, 2013, Ajila Velez Evelyn Vanessa, the former secretary of the Company returned a total of 171,000,000 shares of the common stock of the Company for cancellation.

On September 30, 2013, the Company acquired all rights, title and interest in and to certain technology from G.P. Glazunov, in exchange for which Michael Soursos transferred a total of 64,500,000 shares of the common stock of the Company to Mr. Glazunov and his respective assigns.

Director Independence

As of the date of this Report, we have no independent directors.

The Company has developed the following categorical standards for determining the materiality of relationships that the Directors may have with the Company. A Director shall not be deemed to have a material relationship with the Company that impairs the Director's independence as a result of any of the following relationships:

1. the Director is an officer or other person holding a salaried position of an entity (other than a principal, equity partner or member of such entity) that provides professional services to the Company and the amount of all payments from the Company to such entity during the most recently completed fiscal year was less than two percent of such entity’s consolidated gross revenues;

2. the Director is the beneficial owner of less than five (5%) per cent of the outstanding equity interests of an entity that does business with the Company;

3. the Director is an executive officer of a civic, charitable or cultural institution that received less than the greater of one million ($1,000,000) dollars or two (2%) per cent of its consolidated gross revenues, as such term is construed by the New York Stock Exchange for purposes of Section 303A.02(b)(v) of the Corporate Governance Standards, from the Company or any of its subsidiaries for each of the last three (3) fiscal years;

4. the Director is an officer of an entity that is indebted to the Company, or to which the Company is indebted, and the total amount of either the Company's or the business entity's indebtedness is less than three (3%) per cent of

the total consolidated assets of such entity as of the end of the previous fiscal year; and

5. the Director obtained products or services from the Company on terms generally available to customers of the Company for such products or services. The Board retains the sole right to interpret and apply the foregoing standards in determining the materiality of any relationship.

The Board shall undertake an annual review of the independence of all non-management Directors. To enable the Board to evaluate each non-management Director, in advance of the meeting at which the review occurs, each non-management Director shall provide the Board with full information regarding the Director's business and other relationships with the Company, its affiliates and senior management.

Directors must inform the Board whenever there are any material changes in their circumstances or relationships that could affect their independence, including all business relationships between a Director and the Company, its affiliates, or members of senior management, whether or not such business relationships would be deemed not to be material under any of the categorical standards set forth above. Following the receipt of such information, the Board shall re-evaluate the Director's independence.

Legal Proceedings

We are not aware of any material pending legal proceedings to which we are a party or of which our property is the subject. We also know of no proceedings to which any of our directors, officers or affiliates, or any registered or beneficial holders of more than 5% of any class of our securities, or any associate of any such director, officer, affiliate or security holder are an adverse party or have a material interest adverse to us.

Market Price of and Dividends on the Registrant's Common Equity and Related Stockholder Matters

Market Information

The Company's common stock is currently quoted on the Over-the-Counter Bulletin Board (OTC/BB) under the trading symbol “AMZZ”. There is no historical information prior to April 10, 2013 when there was an initial trade in the shares of the Company, therefore we have no information on high and low closing bid prices to report for the third quarter of the fiscal year ended April 30, 2013, and for April 30, 2012. We provide below the information for the fourth quarter ended April 30, 2013 and the quarter ended July 31, 2013.

Quarter	High ($)	Low ($)
Quarter ended 07/31/2013	$ 1.50	$ 0.65
Quarter ended 04/30/2013	0.0029	0.0029

The above information was provided from data taken from OTC Markets. The quotations provided may reflect inter-dealer prices, without retail mark-up, mark-down or commission and may not represent actual transactions.

Holders

As of the October 28, 2013 there were holders of record of our common stock.

Dividends

To date, we have not paid dividends on shares of our common stock and we do not expect to declare or pay dividends on shares of our common stock in the foreseeable future. The payment of any dividends will depend upon our future earnings, if any, our financial condition, and other factors deemed relevant by our Board of Directors.

Equity Compensation Plans

As of the date of this report we do not have any equity compensation plans.

Recent Sales of Unregistered Securities

During the last three years, we completed the following sales of unregistered securities:

All of the share numbers are reported as post-split shares pursuant to the 175:1 forward split undertaken by the Company on May 24, 2013.

On April 5, 2011, the Company issued 525,000,000 shares of common stock to two officers and directors of the Company at a price of $0.0000057 per share for total cash proceeds of $3,000. These shares were issued in reliance on the exemption under Section 4(2) of the Securities Act of 1933, as amended (the “Act”). These shares of our common stock qualified for exemption under Section 4(2) of the Securities Act of 1933 since the issuance shares by us did not involve a public offering. The offering was not a “public offering” as defined in Section 4(2) due to the insubstantial number of persons involved in the deal, size of the offering, manner of the offering and number of shares offered. We did not undertake an offering in which we sold a high number of shares to a high number of investors. In addition, the shareholder had the necessary investment intent as required by Section 4(2) since they agreed to and received share certificates bearing a legend stating that such shares are restricted pursuant to Rule 144 of the 1933 Securities Act. This restriction ensures that these shares would not be immediately redistributed into the market and therefore not be part of a “public offering.” Based on an analysis of the above factors, we have met the requirements to qualify for exemption under Section 4(2) of the Securities Act of 1933 for this transaction.

On May 24, 2013, in accordance with approval from the Financial Industry Regulatory Authority (“FINRA”), our issued and outstanding shares of common stock increased from 3,520,000 to 616,000,000 shares of common stock, par value of $0.001 on the basis of a 175:1 forward split of our issued and outstanding shares of common stock.

On October 4, 2013, a director and officer of the Company returned a total of 230,000,000 shares of the common stock of the Company for cancellation.

On October 4, 2013, an officer of the Company returned a total of 171,000,000 shares of the common stock of the Company for cancellation.

Since our inception we have made no purchases of our equity securities.

Description of Securities

Our authorized capital stock consists of 1,500,000,000 shares of common stock, $0.001 par value.

Common Stock

As of the date of this report we had 214,000,000 shares of our common stock issued and outstanding.

Holders of our common stock have no preemptive rights to purchase additional shares of common stock or other subscription rights. Our common stock carries no conversion rights and is not subject to redemption or to any sinking fund provisions. All shares of our common stock are entitled to share equally in dividends from sources legally available, when, as and if declared by our Board of Directors, and upon our liquidation or dissolution, whether voluntary or involuntary, to share equally in our assets available for distribution to our security holders.

Our Board of Directors is authorized to issue additional shares of our common stock not to exceed the amount authorized by our Articles of Incorporation, on such terms and conditions and for such consideration as our Board may deem appropriate without further security holder action.

Voting Rights

Each holder of our common stock is entitled to one vote per share on all matters on which such stockholders are entitled to vote. Since the shares of our common stock do not have cumulative voting rights, the holders of more than 50% of the shares voting for the election of directors can elect all the directors if they choose to do so and, in such event, the holders of the remaining shares will not be able to elect any person to our Board of Directors.

Dividend Policy

Holders of our common stock are entitled to dividends if declared by our Board of Directors out of funds legally available for the payment of dividends. From our inception to April 30, 2013 we did not declare any dividends.

We do not intend to issue any cash dividends in the future. We intend to retain earnings, if any, to finance the development and expansion of our business. However, it is possible that our management may decide to declare a stock dividend in the future. Our future dividend policy will be subject to the discretion of our Board of Directors and will be contingent upon future earnings, if any, our financial condition, our capital requirements, general business conditions and other factors.

Indemnification of Directors and Officers

The only statute, charter provision, bylaw, contract, or other arrangement under which any controlling person, director or officer of us is insured or indemnified in any manner against any liability which he may incur in his capacity as such, is as follows:

- Chapter 78 of the Nevada Revised Statutes (the “NRS”).

Nevada Revised Statutes

Section 78.138 of the NRS provides for immunity of directors from monetary liability, except in certain enumerated circumstances, as follows:

"Except as otherwise provided in NRS 35.230, 90.660, 91.250, 452.200, 452.270, 668.045 and 694A.030, or unless the Articles of Incorporation or an amendment thereto, in each case filed on or after October 1, 2003, provide for greater individual liability, a director or officer is not individually liable to the corporation or its stockholders or creditors for any damages as a result of any act or failure to act in his capacity as a director or officer unless it is proven that:

(a) his act or failure to act constituted a breach of his fiduciary duties as a director or officer; and

(b) his breach of those duties involved intentional misconduct, fraud or a knowing violation of law."

Section 78.5702 of the NRS provides as follows:

1. A corporation may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, except an action by or in the right of the corporation, by reason of the fact that he is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses, including attorneys' fees, judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with the action, suit or proceeding if he:

   (a) is not liable pursuant to NRS 78.138; or

   (b) acted in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful.

2. A corporation may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the corporation to procure a judgment in its favor by reason of the fact that he is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against expenses, including amounts paid in settlement and attorneys' fees actually and reasonably incurred by him in connection with the defense or settlement of the action or suit if he:

   (a) is not liable pursuant to NRS 78.138; or

   (b) acted in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the corporation.

To the extent that a director, officer, employee or agent of a corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in subsections 1 and 2, or in defense of any claim, issue or matter therein, the corporation shall indemnify him against expenses, including attorneys' fees, actually and reasonably incurred by him in connection with the defense.

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Financial Statements and Supplementary Data

AMAZONICA, CORP.

AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED APRIL 30, 2013 AND APRIL 30, 2012
AND FOR THE PERIOD FROM INCEPTION (JUNE 2, 2010) TO APRIL 30, 2013

REPORTED IN UNITED STATES DOLLARS

THOMAS J. HARRIS
CERTIFIED PUBLIC ACCOUNTANT
3901 STONE WAY N., SUITE 202
SEATTLE, WA 98103
206.547.6050

INDEPENDENT AUDITOR' REPORT ON FINANCIAL STATEMENTS

To the Board of Directors
Amazonica, Inc.

We have audited the accompanying balance sheet of Amazonica, Inc. (A Development Stage Company) as of April 30, 2013, and the related statements of operations, stockholders' equity and cash flows for the period then ended, and the period June 2, 2010 (inception) to April 30, 2013. 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 audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Amazonica, Inc. (A Development Stage Company) as of April 30, 2013 and the results of its operations and cash flows for the periods then ended and June 2, 2010 (inception), to April 30, 2013 in conformity with generally accepted accounting principles in the United States of America.

The accompanying financial statements have been prepared assuming the Company will continue as a going concern. As discussed in Note #2 to the financial statements, the company has had significant operating losses; a working capital deficiency and its need for new capital raise substantial doubt about its ability to continue as a going concern. Management's plan in regard to these matters is also described in Note #2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Seattle, Washington
July 29, 2013

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AMAZONICA, CORP.
(A Development Stage Company)
Balance Sheets

	April 30, 2013	April 30, 2012
Assets		
Current Assets		
Cash	$ 0	$ 83
Prepaid Expenses	0	7,500
Total Assets	0	7,583
Liabilities and Stockholders' Equity		
Current Liabilities		
Accounts Payable	$ 400	$ 200
Loan from Director	29,987	4,924
Total Current Liabilities	30,387	5,124
Stockholders' Equity		
Common stock, $0.001 par value, 75,000,000 shares authorized; 3,520,000 shares issued and outstanding	3,520	3,520
Additional paid-in-capital	20,280	20,280
Deficit accumulated during the development stage	(54,187)	(21,341)
Total stockholders' equity	(30,387)	2,459
Total liabilities and stockholders' equity	$ 0	$ 7,583

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

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AMAZONICA, CORP.
(A Development Stage Company)
Statements of Operations

	Year ended April 30, 2013	Year ended April 30, 2012	From Inception on June 2, 2010 to April 30, 2013
Expenses			
General and Administrative Expenses	$ 32,846	$ 19,331	$ 54,187
Net (loss) from Operation before Taxes	(32,846)	(19,331)	(54,187)
Provision for Income Taxes	0	0	0
Net (loss)	$ (32,846)	$ (19,331)	$ (54,187)
(Loss) per common share – Basic and diluted	(0.00)	(0.00)	
Weighted Average Number of Common Shares Outstanding	3,520,000	3,238,702	

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

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AMAZONICA, CORP.
(A Development Stage Company)
Statement of Stockholders' Equity
From Inception on June 2, 2010 to April 30, 2013

	Common Stock Shares	Par Value	Additional paid-in capital	Deficit accumulated During development stage	Total
Balance at inception on June 2, 2010 April 5, 2011	-	$ -	$ -	$ -	$ -
Common shares issued for cash at $0.001	3,000,000	3,000		-	3,000
Net (loss)				(2,010)	(2,010)
Balance as of April 30, 2011	3,000,000	3,000		(2,010)	990
Common shares issued for cash at $0.04	520,000	520	20,280		20,800
Net (loss)				(19,331)	(19,331)
Balance as of April 30, 2012	3,520,000	3,520	20,280	(21,341)	2,459
Net (loss)				(32,846)	(32,846)
Balance as of April 30, 2013	3,520,000	$ 3,520	$ 20,820	$ (54,187)	$ (30,387)

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

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AMAZONICA, CORP.
(A Development Stage Company)
Statements of Cash Flows

	Year ended April 30, 2013	Year ended April 30, 2012	From Inception on June 2, 2010 to April 30, 2013
Operating Activities			
Net (loss)	$ (32,846)	$ (19,331)	$ (54,187)
Prepaid expenses	7,500	(7,500)	-
Accounts Payable	200	(1,300)	400
Net cash (used) for operating activities	(25,146)	(28,131)	(53,787)
Financing Activities			
Loans from Director	25,063	4,425	29,987
Proceeds from sale of common stock	-	20,800	23,800
Net cash provided by financing activities	25,063	25,225	53,787
Net increase (decrease) in cash and equivalents	(83)	(2,906)	0
Cash and equivalents at beginning of the period	83	2,989	0
Cash and equivalents at end of the period	$ 0	$ 83	$ 0
Supplemental cash flow information:			
Cash paid for:			
Interest	$ -	$ -	$ -
Taxes	$ -	$ -	$ -
Non-Cash Activities	$ -	$ -	$ -

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

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AMAZONICA, CORP.
(A Development Stage Company)
Notes To The Financial Statements
April 30, 2013

NOTE 1 - ORGANIZATION AND NATURE OF BUSINESS

Amazonica, Corp. ("the Company") was incorporated under the laws of the State of Nevada, U.S. on June 2, 2010. We are a development-stage company in the field of marketing and distributing hardwood flooring. The Company is in the development stage as defined under Statement on Financial Accounting Standards Accounting Standards Codification FASB ASC 915-205 "Development-Stage Entities". Amazonica, Corp. is in the business of distributing of Brazilian hardwood flooring. The Company has not generated any revenue to date and consequently its operations are subject to all risks inherent in the establishment of a new business enterprise. For the period from inception, June 2, 2010 through April 30, 2013 the Company has accumulated losses of $54,187.

NOTE 2 - GOING CONCERN

The financial statements have been prepared on a going concern basis, which assumes the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Company has incurred losses since inception resulting in an accumulated deficit of $54,187 as of April 30, 2013 and further losses are anticipated in the development of its business raising substantial doubt about the Company's ability to continue as a going concern. The ability to continue as a going concern is dependent upon the Company generating profitable operations in the future and/or to obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due. Management intends to finance operating costs over the next twelve months with existing cash on hand and loans from directors and/or private placement of common stock.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation
The financial statements of the Company have been prepared in accordance with generally accepted accounting principles in the United States of America and are presented in US dollars.

Cash and Cash Equivalents
The Company considers all highly liquid instruments with a maturity of three months or less at the time of issuance to be cash equivalents. The Company had $0 cash as of April 30, 2013.

Use of Estimates and Assumptions
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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

AMAZONICA, CORP.
(A Development Stage Company)
Notes To The Financial Statements
April 30, 2013

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign Currency Translation
The Company's functional currency and its reporting currency is the United States dollar.

Stock-based Compensation
The Company records stock based compensation in accordance with the guidance in ASC Topic 718 which requires the Company to recognize expenses related to the fair value of its employee stock option awards. This eliminates accounting for share-based compensation transactions using the intrinsic value and requires instead that such transactions be accounted for using a fair-value-based method. The Company recognizes the cost of all share-based awards on a graded vesting basis over the vesting period of the award.

Income Taxes
The Company follows the liability method of accounting for income taxes. Under this method, deferred income tax assets and liabilities are recognized for the estimated tax consequences attributable to differences between the financial statement carrying values and their respective income tax basis (temporary differences). The effect on deferred income tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Basic and Diluted Loss Per Share
The Company computes loss per share in accordance with “ASC-260”, “Earnings per Share” which requires presentation of both basic and diluted earnings per share on the face of the statement of operations. Basic loss per share is computed by dividing net loss available to common shareholders by the weighted average number of outstanding common shares during the period. Diluted loss per share gives effect to all dilutive potential common shares outstanding during the period. Dilutive loss per share excludes all potential common shares if their effect is anti-dilutive. The Company has no potential dilutive instruments and accordingly basic loss and diluted loss per share are equal.

Fiscal Periods
The Company's fiscal year end is April 30.

NOTE 4 - COMMON STOCK

The authorized capital of the Company is 75,000,000 common shares with a par value of $ 0.001 per share. On April 5, 2011, the Company issued 3,000,000 shares of common stock at a price of $0.001 per share for total cash proceeds of $3,000. For the period ended April 30, 2012 the Company issued 520,000 shares of common stock at a price of $0.04 per share for total cash proceeds of $20,800.

There were 3,520,000 shares of common stock issued and outstanding as of April 30, 2013.

AMAZONICA, CORP.
(A Development Stage Company)
Notes To The Financial Statements
April 30, 2013

NOTE 5 - INCOME TAXES

As of April 30, 2013 the Company had net operating loss carry forwards of $54,187 that may be available to reduce future years' taxable income through 2033. Future tax benefits which may arise as a result of these losses have not been recognized in these financial statements, as their realization is determined not likely to occur and accordingly, the Company has recorded a valuation allowance for the deferred tax asset relating to these tax loss carry-forwards.

NOTE 6 - RELATED PARTY TRANSACTONS

On April 5, 2011, the Company issued a total of 3,000,000 shares of restricted common stock to Andre Caetano, our director and officer in consideration of $3,000.

On June 2, 2010, related party had loaned the Company $174. On July 7, 2010, related party had loaned the Company $325. On July13, 2011, related party had loaned the Company $325. On March 29, 2012, related party had loaned the Company $4,100. For the year ended April 30, 2013 related party had loaned the Company $25,063.

As of April 30, 2013, total loan amount was $29,987. The loan is non-interest bearing, due upon demand and unsecured.

NOTE 7 - RECENT ACCOUNTING PRONOUNCEMENTS

We have reviewed all the recent accounting pronouncements issued to date of the issuance of these financial statements, and we do not believe any of these pronouncements will have a material impact on the company.

AMAZONICA, CORP.

UNAUDITED FINANCIAL STATEMENTS
FOR THE THREE MONTH PERIODS ENDED JULY 31, 2013 AND JULY 31, 2012
AND FOR THE PERIOD FROM INCEPTION (JUNE 2, 2010) TO JULY 31, 2013

REPORTED IN UNITED STATES DOLLARS

The accompanying unaudited financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions for Form 10-Q and Article 210 8-03 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation have been included. All such adjustments are of a normal recurring nature. Operating results for the three month period ended July 31, 2013, are not necessarily indicative of the results that may be expected for the fiscal year ending April 30, 2014. For further information refer to the financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended April 30, 2013 as filed with the Securities and Exchange Commission on August 13, 2013.

AMAZONICA, CORP.
(A Development Stage Company)
Balance Sheets

Assets

	July 31, 2013 Unaudited	April 30, 2013
Current Assets		
Cash	$ 0	$ 0
Prepaid Expenses	0	0
Total Assets	0	0

Liabilities and Stockholders' Equity

Current Liabilities		
Accounts Payable and Accrued Expenses	$ 5,057	$ 400
Loan from Director	32,187	29,987
Total Current Liabilities	37,244	30,387
Stockholders' Equity		
Common stock, $0.001 par value, 1,500,000,000 shares authorized; 616,000,000 shares issued and outstanding as at July 31, 2013 and April 30, 2013 respectively	616,000	616,000
Additional paid-in-capital	(592,200)	(592,200)
Deficit accumulated during the development stage	(61,044)	(54,187)
Total stockholders' equity	(37,244)	(30,387)
Total liabilities and stockholders' equity	$ 0	$ 0

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

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AMAZONICA, CORP.
(A Development Stage Company)
Statements of Operations
Unaudited

	Three months ended July 31, 2013	Three months ended July 31, 2012	From Inception on June 2, 2010 to July 31, 2013
Expenses			
General and Administrative Expenses	$ 6,857	$ 8,125	$ 61,044
Net (loss) from Operation before Taxes	(6,857)	(8,125)	(61,044)
Provision for Income Taxes	0	0	0
Net (loss)	$ (6,857)	$ (8,125)	$ (61,044)
(Loss) per common share – Basic and diluted	(0.00)	(0.00)	
Weighted Average Number of Common Shares Outstanding	616,000,000	616,000,000	

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

AMAZONICA, CORP.
(A Development Stage Company)
Statements of Cash Flows
Unaudited

	Three months ended July 31, 2013	Three months ended July 31, 2012	From Inception on June 2, 2010 to July 31, 2013
Operating Activities			
Net (loss)	$ (6,857)	$ (8,125)	$ (61,044)
Prepaid expenses	-	2,500	-
Accounts Payable	4,657	(200)	5,057
Net cash (used) for operating activities	(2,200)	(5,825)	(55,987)
Financing Activities			
Loans from Director	2,200	5,750	32,187
Proceeds from sale of common stock	-	-	23,800
Net cash provided by financing activities	2,200	5,750	55,987
Net increase (decrease) in cash and equivalents	0	(75)	0
Cash and equivalents at beginning of the period	0	83	0
Cash and equivalents at end of the period	$ 0	$ 8	$ 0
Supplemental cash flow information:			
Cash paid for:			
Interest	$ -	$ -	$ -
Taxes	$ -	$ -	$ -
Non-Cash Activities	$ -	$ -	$ -

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

AMAZONICA, CORP.

(A Development Stage Company)
Notes To The Financial Statements
July 31, 2013

NOTE 1 - ORGANIZATION AND NATURE OF BUSINESS

Amazonica, Corp. ("the Company") was incorporated under the laws of the State of Nevada, U.S. on June 2, 2010. We are a development-stage company in the field of marketing and distributing hardwood flooring. The Company is in the development stage as defined under Statement on Financial Accounting Standards Accounting Standards Codification FASB ASC 915-205 "Development-Stage Entities". Amazonica, Corp. is in the business of distributing of Brazilian hardwood flooring. The Company has not generated any revenue to date and consequently its operations are subject to all risks inherent in the establishment of a new business enterprise. For the period from inception, June 2, 2010 through July 31, 2013 the Company has accumulated losses of $61,044.

NOTE 2 - GOING CONCERN

The financial statements have been prepared on a going concern basis, which assumes the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Company has incurred losses since inception resulting in an accumulated deficit of $61,044 as of July 31, 2013 and further losses are anticipated in the development of its business raising substantial doubt about the Company's ability to continue as a going concern. The ability to continue as a going concern is dependent upon the Company generating profitable operations in the future and/or to obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due. Management intends to finance operating costs over the next twelve months with existing cash on hand and loans from directors and/or the sale of equity.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation
The financial statements of the Company have been prepared in accordance with generally accepted accounting principles in the United States of America and are presented in US dollars.

Cash and Cash Equivalents
The Company considers all highly liquid instruments with a maturity of three months or less at the time of issuance to be cash equivalents. The Company had $0 cash as of July 31, 2013.

AMAZONICA, CORP.

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July 31, 2013

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates and Assumptions
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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Foreign Currency Translation
The Company's functional currency and its reporting currency is the United States dollar.

Stock-based Compensation
The Company records stock based compensation in accordance with the guidance in ASC Topic 718 which requires the Company to recognize expenses related to the fair value of its employee stock option awards. This eliminates accounting for share-based compensation transactions using the intrinsic value and requires instead that such transactions be accounted for using a fair-value-based method. The Company recognizes the cost of all share-based awards on a graded vesting basis over the vesting period of the award.

Income Taxes
The Company follows the liability method of accounting for income taxes. Under this method, deferred income tax assets and liabilities are recognized for the estimated tax consequences attributable to differences between the financial statement carrying values and their respective income tax basis (temporary differences). The effect on deferred income tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Basic and Diluted Loss Per Share
The Company computes loss per share in accordance with “ASC-260”, “Earnings per Share” which requires presentation of both basic and diluted earnings per share on the face of the statement of operations. Basic loss per share is computed by dividing net loss available to common shareholders by the weighted average number of outstanding common shares during the period. Diluted loss per share gives effect to all dilutive potential common shares outstanding during the period. Dilutive loss per share excludes all potential common shares if their effect is anti-dilutive. The Company has no potential dilutive instruments and accordingly basic loss and diluted loss per share are equal.

Fiscal Periods
The Company's fiscal year end is April 30.

AMAZONICA, CORP.

(A Development Stage Company)
Notes To The Financial Statements
July 31, 2013

NOTE 4 - COMMON STOCK

The authorized capital of the Company is 1,500,000,000 common shares with a par value of $ 0.001 per share. On April 5, 2011, the Company issued 525,000,000 shares of common stock at a price of $0.0000057 per share for total cash proceeds of $3,000. For the period ended April 30, 2012 the Company issued 91,000,000 shares of common stock at a price of $0.0002285 per share for total cash proceeds of $20,800.

On May 2, 2013 Amazonica, Corp. (the "Registrant") filed an Certificate of Amendment to its Articles of Incorporation (“Certificate”) with the Secretary of State of the State of Nevada to increase the number of shares of authorized capital of the Company from 75,000,000 shares of common stock, $0.001 par value per share, to 1,500,000,000 shares of common stock, $0.001 par value per share.

On May 24, 2013, in accordance with approval from the Financial Industry Regulatory Authority (“FINRA”), our issued and outstanding shares of common stock increased from 3,520,000 to 616,000,000 shares of common stock, par value of $0.001 on the basis of a 175:1 forward split of our issued and outstanding shares of common stock. The forward split has been retroactively applied to all shares and per share figures in these financial statements.

There were 616,000,000 shares of common stock issued and outstanding as of July 31, 2013.

NOTE 5 - INCOME TAXES

As of April 30, 2013 the Company had net operating loss carry forwards of $54,187 that may be available to reduce future years’ taxable income through 2033. Future tax benefits which may arise as a result of these losses have not been recognized in these financial statements, as their realization is determined not likely to occur and accordingly, the Company has recorded a valuation allowance for the deferred tax asset relating to these tax loss carry-forwards.

NOTE 6 - RELATED PARTY TRANSACTONS

On April 5, 2011, the Company issued a total of 525,000,000 shares of restricted common stock to Andre Caetano, our director and officer in consideration of $3,000.

On June 2, 2010, related party had loaned the Company $174. On July 7, 2010, the related party had loaned the Company $325. On July 13, 2011, related party had loaned the Company $325. On March 29, 2012, related party had loaned the Company $4,100. For the year ended April 30, 2013, related party had loaned the Company $25,063. For the three months period ended July 31, 2013 related party had loaned the Company $2,200.

As of July 31, 2013, total related party loan amount was $32,187. The loan is non-interest bearing, due upon demand and unsecured.

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Notes To The Financial Statements
July 31, 2013

NOTE 7 - RECENT ACCOUNTING PRONOUNCEMENTS

We have reviewed all the recent accounting pronouncements issued to date of the issuance of these financial statements, and we do not believe any of these pronouncements will have a material impact on the company.

NOTE 8 - SUBSEQUENT EVENTS

On August 30, 2013, Andre Caetano, the principal shareholder of Amazonica, Corp. (the “Company”), entered into a Stock Purchase Agreement which provided for the sale of 350,000,000 shares of common stock of the Company (the “Purchased Shares”) to Michael Soursos (the “Purchaser”).

Effective as of August 30, 2013, in connection with the disposition of the Purchased Shares, Andre Caetano resigned from his positions as officer and the sole director of the Company. The Board of Directors of the Company elected Michael Soursos as President, Treasurer and the director of the Company.

Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

In the fiscal years ended April 30, 2013 and 2012, and for the period up to the filing of this report, there have been no changes in the Company's accounting policies, nor have there been any disagreements with our accountants.

Item 9.01 Financial Statements and Exhibits

In accordance with Item 9.01(a), our audited financial statements for the years ended April 30, 2013 and April 30, 2012, as well as unaudited financial statements for the period ended July 31, 2013 are filed in this Current Report on Form 8-K under the heading "Financial Statements and Supplementary Data".

(d) Exhibits.

The exhibits listed in the following Exhibit Index are filed as part of this Current Report on Form 8-K:

3.1	Articles of Incorporation of the Registrant*
3.1.1	Certificate of Amendment to Articles of Incorporation of Amazonica, Corp. filed with the Secretary of State of the State of Nevada May 2, 2013**
3.2	Bylaws of the Registrant*
10.1	Exclusive Contract for Sale of Goods dated April 15, 2011 *
10.2	Form of Subscription Agreement *
10.3	Stock Purchase Agreement***
10.4	Promissory Note***
10.5	Amendment to Stock Purchase Agreement between Andre Caetano and Michael Soursos****
10.6	Consulting Agreement between the Company and Michael Soursos*****
10.7	Consulting Agreement between the Company and G. Glazunov*****
10.8	Memorandum of Understanding between Soursos and Glazunov for patent*****
10.9	Research Agreement between the Company, Glazunov and the National Science Center of Ukraine*****
10.10	U.S. Civilian Research and Development Foundation Management Agreement ("CRDF")*****
10.11	Invoice from CDRF pursuant to Management Agreement*****
10.12	Unsecured convertible promissory note with Anton Group Hill Ltd.(1)
10.13	Patent documents filed with the U.S. Patent Office(1)

*	filed as the corresponding exhibit to the Form S-1 (Registration No. 333-174304) effective as of August 15, 2011
**	filed as the corresponding exhibit to the Current Report on Form 8-K filed by the Company on July 25, 2013
***	filed as the corresponding exhibit to the Current Report on Form 8-K by the Company on September 3, 2013
****	filed as the corresponding exhibit to the Current Report on Form 8-K by the Company on October 2, 2013
*****	filed as the corresponding exhibit to the Current Report on Form 8-K by the Company on October 7, 2013
(1)	Filed herewith

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Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

AMAZONICA, CORP.

Date: October 29, 2013	By:	/s/ Michael Soursos Michael Soursos President, Chief Executive Officer, Chief Financial Officer, Secretary, Treasurer and Director