Fibrocell Science, Inc.
Form 10-Q
November 15, 2010

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

þ **Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the quarterly period ended September 30, 2010
OR

o **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

Fibrocell Science, Inc.
(Exact name of registrant as specified in its Charter.)

Delaware	**001-31564**	**87-0458888**
(State or other jurisdiction of incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

405 Eagleview Boulevard
Exton, Pennsylvania 19341
(Address of principal executive offices, including zip code)
(484) 713-6000
(Registrant s telephone number, including area code)

Indicate by check mark whether the registrant: (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 12 months (or for any 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 þ No o

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 o No o

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 the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer o	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company þ

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

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes þ No o

As of November 9, 2010, issuer had 20,375,343 shares issued and outstanding of common stock, par value $0.001.

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PART I FINANCIAL INFORMATION

ITEM 1. Financial statements.

Fibrocell Science, Inc.
(A Development Stage Company)
Consolidated Successor Balance Sheets
(unaudited)

	September 30, 2010	December 31, 2009
Assets		
Current assets:		
Cash and cash equivalents	$ 205,083	$ 1,362,488
Accounts receivable, net	278,815	269,759
Inventory, net	208,111	226,032
Prepaid expenses and other current assets	562,957	525,024
Total current assets	1,254,966	2,383,303
Property and equipment, net of accumulated depreciation of $5,612 and $0, respectively	24,062	
Other assets	250	250
Intangible assets	6,340,656	6,340,656
Total assets	$ 7,619,934	$ 8,724,209
Liabilities, Redeemable Preferred Stock, Shareholders Deficit and Noncontrolling Interest		
Current liabilities:		
Current debt	$	$ 47,795
Accounts payable	1,073,376	245,023
Accrued expenses	2,094,432	544,260
Total current liabilities	3,167,808	837,078
Long-term debt	6,000,060	6,000,060
Deferred tax liability	2,500,000	2,500,000
Warrant liability	4,653,838	635,276
Other long-term liabilities	284,007	369,210
Total liabilities	16,605,713	10,341,624
Commitments and contingencies		
Preferred stock series A, $0.001 par value; 9,000 shares authorized; 3,250 shares issued and outstanding	2,365,309	2,511,070
Preferred stock series B, $0.001 par value; 9,000 shares authorized; 2,977 shares issued and outstanding	391,766	
Preferred stock series B, $0.001 par value; subscription receivable	(792,000)	

Fibrocell Science, Inc. shareholders deficit:		
Successor common stock, $0.001 par value; 250,000,000 shares authorized	19,769	14,692
Additional paid-in capital	1,924,899	508,347
Accumulated deficit during development stage	(13,331,244)	(5,049,999)
Total Fibrocell Science, Inc. shareholders deficit	(11,386,576)	(4,526,960)
Noncontrolling interest	435,722	398,475
Total deficit and noncontrolling interest	(10,950,854)	(4,128,485)
Total liabilities, preferred stock, shareholders deficit and noncontrolling interest	$ 7,619,934	$ 8,724,209

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

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Fibrocell Science, Inc.
(A Development Stage Company)
Consolidated Statements of Operations
(unaudited)

	Successor For the three months ended September 30, 2010	Successor For the one month ended September 30, 2009	Predecessor For the two months ended August 31, 2009
Revenue			
Product sales	$ 243,677	$ 75,029	$ 130,740
Total revenue	243,677	75,029	130,740
Cost of sales	118,916	53,323	252,420
Gross profit	124,761	21,706	(121,680)
Selling, general and administrative expenses	1,583,418	1,372,122	1,158,959
Research and development expenses	1,387,466	556,242	614,511
Operating loss	(2,846,123)	(1,906,658)	(1,895,150)
Other income (expense)			
Interest income		1	1
Reorganization items, net			74,132,188
Other expense			(6,243)
Warrant income	1,265,571		
Interest expense	(211,919)	(58,333)	(290,063)
Income (loss) from continuing operations	(1,792,471)	(1,964,990)	71,940,733
Income (loss) from discontinued operations, net of tax	(8,575)	5,799	216,203
Net income (loss)	(1,801,046)	(1,959,191)	72,156,936
Net income (loss) attributable to noncontrolling interest	(20,859)	1,644	(214,292)
Net income (loss) attributable to Fibrocell Science, Inc. common shareholders	(1,821,905)	$ (1,957,547)	$ 71,942,644
Per share information:			
Income (loss) from continuing operations-basic and diluted	$ (0.09)	$ (0.13)	$ 1.85

Net income (loss) attributable to common shareholders per common share basic and diluted	$ (0.09)	$ (0.13)	$ 1.85
Weighted average number of basic and diluted common shares outstanding	19,557,842	14,666,666	38,820,380

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

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Fibrocell Science, Inc.
(A Development Stage Company)
Consolidated Statements of Operations
(unaudited)

	Successor For the nine months ended September 30, 2010	Successor For the one month ended September 30, 2009	Successor Cumulative period from September 1, 2009 (date of inception) to September 30, 2010	Predecessor For the eight months ended August 31, 2009	Predecessor Cumulative period from December 28, 1995 (date of inception) to August 31, 2009
Revenue					
Product sales	$ 716,809	$ 75,029	$ 1,046,750	$ 538,620	$ 4,818,994
License fees					260,000
Total revenue	716,809	75,029	1,046,750	538,620	5,078,994
Cost of sales	395,351	53,323	577,399	424,139	2,279,335
Gross profit	321,458	21,706	469,351	114,481	2,799,659
Selling, general and administrative expenses	5,424,661	1,372,122	8,133,017	3,427,374	84,805,520
Research and development expenses	4,053,817	556,242	5,877,013	2,107,718	56,269,869
Operating loss	(9,157,020)	(1,906,658)	(13,540,679)	(5,420,611)	(138,275,730)
Other income (expense)					
Interest income		1	1	248	6,989,539
Reorganization items, net	3,303		(69,174)	73,538,984	73,538,984
Other income (expense)				(6,243)	316,338
Warrant income	1,560,757		1,241,673		
Interest expense	(612,917)	(58,333)	(860,091)	(2,232,138)	(18,790,218)
Income (loss) from continuing operations before income taxes	(8,205,877)	(1,964,990)	(13,228,270)	65,880,240	(76,221,087)
Income tax benefit					190,754
Income (loss) from continuing operations	(8,205,877)	(1,964,990)	(13,228,270)	65,880,240	(76,030,333)
Income (loss) from discontinued operations	(38,121)	5,799	(50,234)	46,923	(41,091,311)
Net income (loss)	(8,243,998)	(1,959,191)	(13,278,504)	65,927,163	(117,121,644)
Deemed dividend associated with beneficial conversion					(11,423,824)
Preferred stock dividends					(1,589,861)
	(37,247)	1,644	(52,740)	(205,632)	1,799,523

Net income/(loss) attributable to noncontrolling interest					
Net income (loss) attributable to Fibrocell Science, Inc. common shareholders.	$ (8,281,245)	$ (1,957,547)	$ (13,331,244)	$ 65,721,531	$ (128,335,806)
Per share information:					
Income (loss) from continuing operations-basic and diluted	$ (0.45)	$ (0.13)	$ (0.77)	$ 1.72	$ (4.30)
Loss from discontinued operations-basic and diluted					(2.32)
Income attributable to noncontrolling interest			(0.01)		0.10
Deemed dividend associated with beneficial conversion of preferred stock					(0.65)
Preferred stock dividends					(0.09)
Net income (loss) attributable to common shareholders per common share basic and diluted	$ (0.45)	$ (0.13)	$ (0.78)	$ 1.72	$ (7.26)
Weighted average number of basic and diluted common shares outstanding	18,291,301	14,666,666	17,104,057	38,230,886	17,678,219

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

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Fibrocell Science, Inc.
(A Development Stage Company)
Consolidated Statements of Shareholders Equity (Deficit) and Comprehensive Income (Loss)

	Series A Preferred Stock		Series B Preferred Stock		Common Stock			Treasury Stock		Accumulated Other	Accumulated Deficit During	Total Shareholders
	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Additional Paid-In Capital	Number of Shares	Amount	Comprehensive Income	Development Stage	Equity (Deficit)
Issuance of common stock for cash on 12/28/95	$	$			2,285,291	$ 2,285	$ (1,465)		$	$	$	$ 820
Issuance of common stock for cash on 11/7/96					11,149	11	49,989					50,000
Issuance of common stock for cash on 11/29/96					2,230	2	9,998					10,000
Issuance of common stock for cash on 12/19/96					6,690	7	29,993					30,000
Issuance of common stock for cash on 12/26/96					11,148	11	49,989					50,000
Net loss											(270,468)	(270,468)
Balance, 12/31/96 (Predecessor)	$	$			2,316,508	$ 2,316	$ 138,504		$	$	$ (270,468)	$ (129,648)
Issuance of common stock for cash on 12/27/97					21,182	21	94,979					95,000
Issuance of common stock for services on 9/1/97					11,148	11	36,249					36,260
Issuance of common stock for services on 12/28/97					287,193	287	9,968					10,255
Net loss											(52,550)	(52,550)
Balance, 12/31/97(Predecessor)	$	$			2,636,031	$ 2,635	$ 279,700		$	$	$ (323,018)	$ (40,683)

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	Series A Preferred Stock Number of Shares	Series A Preferred Stock Amount	Series B Preferred Stock Number of Shares	Series B Preferred Stock Amount	Common Stock Number of Shares	Common Stock Amount	Additional Paid-In Capital	Treasury Stock Number of Shares	Treasury Stock Amount	Accumulated Other Comprehensive Income	Accumulated Deficit During Development Stage	Total Shareholders Equity (Deficit)
Issuance of common stock for cash on 8/23/98	$	$			4,459	$ 4	$ 20,063		$	$	$	$ 20,067
Repurchase of common stock on 9/29/98								2,400	(50,280)			(50,280)
Net loss											(195,675)	(195,675)
Balance, 12/31/98 (Predecessor)	$	$			2,640,490	$ 2,639	$ 299,763	2,400	$ (50,280)	$	$ (518,693)	$ (266,571)
Issuance of common stock for cash on 9/10/99					52,506	53	149,947					150,000
Net loss											(1,306,778)	(1,306,778)
Balance, 12/31/99 (Predecessor)	$	$			2,692,996	$ 2,692	$ 449,710	2,400	$ (50,280)	$	$ (1,825,471)	$ (1,423,349)
Issuance of common stock for cash on 1/18/00					53,583	54	1,869					1,923
Issuance of common stock for services on 3/1/00					68,698	69	(44)					25
Issuance of common stock for services on 4/4/00					27,768	28	(18)					10
Net loss											(807,076)	(807,076)
Balance, 12/31/00 (Predecessor)	$	$			2,843,045	$ 2,843	$ 451,517	2,400	$ (50,280)	$	$ (2,632,547)	$ (2,228,467)

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	Series A Preferred Stock		Series B Preferred Stock		Common Stock		Additional	Treasury Stock		Accumulated Other	Accumulated Deficit During	Total
	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Paid-In Capital	Number of Shares	Amount	Comprehensive Income	Development Stage	Shareholders Equity (Deficit)
Issuance of common stock for services on 7/1/01	$	$			156,960	$ 157	$ (101)		$	$	$	$ 56
Issuance of common stock for services on 7/1/01					125,000	125	(80)					45
Issuance of common stock for capitalization of accrued salaries on 8/10/01					70,000	70	328,055					328,125
Issuance of common stock for conversion of convertible debt on 8/10/01					1,750,000	1,750	1,609,596					1,611,346
Issuance of common stock for conversion of convertible shareholder notes payable on 8/10/01					208,972	209	135,458					135,667
Issuance of common stock for bridge financing on 8/10/01					300,000	300	(192)					108
Retirement of treasury stock on 8/10/01							(50,280)	(2,400)	50,280			
Issuance of common stock for net assets of Gemini on 8/10/01					3,942,400	3,942	(3,942)					
Issuance of common stock for net assets of AFH on 8/10/01					3,899,547	3,900	(3,900)					
					1,346,669	1,347	2,018,653					2,020,000

Issuance of common stock for cash on 8/10/01				
Transaction and fund raising expenses on 8/10/01			(48,547)	(48,547)
Issuance of common stock for services on 8/10/01	60,000	60		60
Issuance of common stock for cash on 8/28/01	26,667	27	39,973	40,000
Issuance of common stock for services on 9/30/01	314,370	314	471,241	471,555

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	Series A Preferred Stock		Series B Preferred Stock		Common Stock			Treasury Stock		Accumulated	Accumulated Deficit	Total
	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Additional Paid-In Capital	Number of Shares	Amount	Other Comprehensive Income	During Development Stage	Shareholders Equity (Deficit)
Uncompensated contribution of services 3rd quarter		$		$		$	$ 55,556		$	$	$	$ 55,556
Issuance of common stock for services on 11/1/01					145,933	146	218,754					218,900
Uncompensated contribution of services 4th quarter							100,000					100,000
Net loss											(1,652,004)	(1,652,004)
Balance, 12/31/01 (Predecessor)		$		$	15,189,563	$ 15,190	$ 5,321,761		$	$	$ (4,284,551)	$ 1,052,400
Uncompensated contribution of services 1st quarter							100,000					100,000
Issuance of preferred stock for cash on 4/26/02	905,000	905					2,817,331					2,818,236
Issuance of preferred stock for cash on 5/16/02	890,250	890					2,772,239					2,773,129
Issuance of preferred stock for cash on 5/31/02	795,000	795					2,473,380					2,474,175
Issuance of preferred stock for cash on 6/28/02	229,642	230					712,991					713,221
Uncompensated contribution of services 2nd							100,000					100,000

quarter								
Issuance of preferred stock for cash on 7/15/02	75,108	75			233,886			233,961
Issuance of common stock for cash on 8/1/02			38,400	38	57,562			57,600
Issuance of warrants for services on 9/06/02					103,388			103,388
Uncompensated contribution of services 3rd quarter					100,000			100,000
Uncompensated contribution of services 4th quarter					100,000			100,000
Issuance of preferred stock for dividends	143,507	144			502,517		(502,661)	
Deemed dividend associated with beneficial conversion of preferred stock					10,178,944		(10,178,944)	
Comprehensive income:								
Net loss							(5,433,055)	(5,433,055)
Other comprehensive income, foreign currency translation adjustment						13,875		13,875
Comprehensive loss								(5,419,180)
Balance, 12/31/02 (Predecessor)	3,038,507	$ 3,039	$ 15,227,963	$ 15,228	$ 25,573,999	$ $ 13,875	$ (20,399,211)	$ 5,206,930

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	Series A Preferred Stock		Series B Preferred Stock		Common Stock		Additional Paid-In Capital	Treasury Stock		Other Comprehensive Income	Accu Accumulated D
	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount		Number of Shares	Amount		
k for cash on 1/7/03		$		$	61,600	$ 62	$ 92,338		$	$	$
k for patent pending					100,000	100	539,900				
stock on 3/31/03					(79,382)	(79)	(119,380)				
tion of services 1st quarter							100,000				
k for cash on 5/9/03			110,250	110			2,773,218				
k for cash on 5/16/03			45,500	46			1,145,704				
stock into common	(70,954)	(72)			147,062	147	40,626				
nto common stock 2nd qtr					114,598	114	(114)				
tion of services 2nd quarter							100,000				
k dividends											(1
ted with beneficial tock							1,244,880				(1
k for cash rd qtr					202,500	202	309,798				
k for cash on 8/27/03					3,359,331	3,359	18,452,202				
stock into common	(2,967,553)	(2,967)	(155,750)	(156)	7,188,793	7,189	(82,875)				
nto common stock rd qtr					212,834	213	(213)				
n warrants issued to							412,812				
k for cash th qtr					136,500	137	279,363				
nto common stock th qtr					393						
ome, foreign currency											(11
										360,505	
cessor)		$		$	26,672,192	$ 26,672	$ 50,862,258		$	$ 374,380	$ (33

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	Series A Preferred Stock		Series B Preferred Stock		Common Stock		Additional	Treasury Stock		Accumulated	Accumulated Deficit	Total
	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Paid-In Capital	Number of Shares	Amount	Other Comprehensive Income	During Development Stage	Shareholders Equity (Deficit)
version of ants into mon stock st	$	$			78,526	$ 79	$ (79)		$	$	$	$
nce of mon stock for in ection with cise of stock ons st qtr					15,000	15	94,985					95,
nce of mon stock for in ection with cise of ants st qtr					4,000	4	7,716					7,
pensation nse on ons and ants issued to employees directors st							1,410,498					1,410,
nce of mon stock in ection with cise of ants nd qtr					51,828	52	(52)					
nce of mon stock for nd qtr					7,200,000	7,200	56,810,234					56,817,
pensation nse on ons and ants issued to employees directors nd							143,462					143,
nce of mon stock in					7,431	7	(7)					

ection with cise of ants 3rd qtr							
nce of mon stock for in ection with cise of stock ons 3rd qtr	110,000	110	189,890				190,
nce of mon stock for in ection with cise of ants 3rd qtr	28,270	28	59,667				59,
pensation nse on ons and ants issued to employees directors 3rd			229,133				229,
nce of mon stock in ection with cise of ants 4th qtr	27,652	28	(28)				
pensation nse on ons and ants issued to employees, oyees, and tors 4th qtr			127,497				127,
nase of ury stock 4th				4,000,000	(25,974,000)		(25,974,
prehensive me: oss						(21,474,469)	(21,474,
r prehensive me, foreign ency lation stment					79,725		79,
r prehensive me, net alized gain					10,005		10,

able-for-sale stments									
prehensive									
									(21,384,
nce, 12/31/04 decessor)	$	$ 34,194,899	$ 34,195	$ 109,935,174	4,000,000	$ (25,974,000)	$ 464,110	$ (55,474,054)	$ 28,985,

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	Series A Preferred Stock		Series B Preferred Stock		Common Stock		Additional	Treasury Stock		Accumulated	Accumulated Deficit	Tota
	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Paid-In Capital	Number of Shares	Amount	Other Comprehensive Income (Loss)	During Development Stage	Shareho Equi (Defic
ce of on stock for n ction with se of stock s 1 qtr	$	$			25,000	$ 25	$ 74,975		$	$	$	$ 7
ensation se on s and nts issued to mployees 1							33,565					3
rsion of nts into on stock 2nd					27,785	28	(28)					
ensation se on s and nts issued to mployees 2nd							(61,762)					(6
ensation se on s and nts issued to mployees 3rd							(137,187)					(13
rsion of nts into on stock 3rd					12,605	12	(12)					
ensation se on s and nts issued to mployees 4th							18,844					1
							14,950					1

ensation									
se on									
ration of									
s 4 qtr									
ensation									
se on									
ted stock									
issued to									
yee 4 qtr				606					
rsion of									
cessor									
ny shares	94								
rehensive									
ss							(35,777,584)	(35,77	
ehensive									
oreign									
cy									
tion									
ment						(1,372,600)		(1,37	
n exchange									
n									
ntial									
ation of									
n entity						133,851		13	
ehensive									
et									
ized gain									
ble-for-sale									
ments						(10,005)		(1	
rehensive									
								(37,02	
ce, 12/31/05									
cessor)	$	$ 34,260,383	$ 34,260	$ 109,879,125	4,000,000	$ (25,974,000)	$ (784,644)	$ (91,251,638)	$ (8,09

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	Series A Preferred Stock		Series B Preferred Stock		Common Stock		Additional	Treasury Stock		Accumulated	Accumulated Deficit		
	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Paid-In Capital	Number of Shares	Amount	Other Comprehensive Income	During Development Stage	Noncontrolling Interest	Sh
on													
ued													
ees [1]													
	$	$		$		$	$ 42,810		$	$	$	$	$
on													
ds													
nd qtr							46,336						
on													
ock													
l qtr					128,750	129	23,368						
on													
ued													
ees [2]													
							96,177						
on													
ds													
nd qtr							407,012						
on													
ock													
s [2]													
							4,210						
of													
ock													
					(97,400)	(97)	97						

ck				
vith tock tr on	10,000	10	16,490	
ued				
ees rd			25,627	
on				
ds				
nd qtr on			389,458	
ock s rd			3,605	
ck				
vith tock tr of	76,000	76	156,824	
on				2,182,505
ued				
ees th			34,772	
on				
ds				
nd qtr on			390,547	
ock s th			88	
	(15,002)	(15)	15	

								(35,821,406)	(78,132)		
							657,182				
$	$	34,362,731	$ 34,363	$ 111,516,561	4,000,000	$ (25,974,000)	$ (127,462)	$ (127,073,044)	$ 2,104,373	$	

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	Series A Preferred Stock		Series B Preferred Stock		Common Stock		Additional	Treasury Stock		Accumulated Other	Accumulated Deficit During		Sha
	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Paid-In Capital	Number of Shares	Amount	Comprehensive Income (Loss)	Development Stage	Noncontrolling Interest	
ion													
ued													
vees st							39,742						
ion													
rds													
and qtr ion							448,067						
ock													
st qtr							88						
ock													
with stock tr					15,000	15	23,085						
with n of tock qtr ion							1,178,483						
ued													
vees nd							39,981						
ion							462,363						

rds			
and qtr on			
ock			
2nd qtr on			88
rds			
and qtr on			478,795
ock			
3rd qtr			88
ock se of qtr	492,613	493	893,811
ock t of ts 3rd	6,767,647	6,767	13,745,400
ock			
with stock tr on	1,666	2	3,164
rds			
and qtr on			378,827
ock			
4th qtr			88
sive			
		(35,573,114)	(246,347)

ive
n

846,388

sive

(

r) $ $ 41,639,657 $ 41,640 $ 129,208,631 4,000,000 $ (25,974,000) $ 718,926 $ (162,646,158) $ 1,858,026 $ (5

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

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Series A Preferred Stock Number of Shares	Amount	Series B Preferred Stock Number of Shares	Amount	Common Stock Number of Shares	Amount	Additional Paid-In Capital	Treasury Stock Number of Shares	Amount	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit During Development Stage	Noncontrolling Interest
ted to s 1	$	$		$		$ 44,849		$	$	$	$
ion to						151,305					
h f k						1,262,815					
k				(165)	(1)						
ted to s 2nd						62,697					
ion to r						193,754					
ted to s 3rd						166,687					
ion to qtr						171,012					
						(86,719)					

		166,196							
								(31,411,179)	(1,680,676)
						(2,152,569)			
						1,433,643			
$	$	41,639,492	$ 41,639	$ 131,341,227	4,000,000	$ (25,974,000)	$	$ (194,057,337)	$ 177,350

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

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	Series A Preferred Stock Number of Shares	Amount	Series B Preferred Stock Number of Shares	Amount	Common Stock Number of Shares	Amount	Additional Paid-In Capital	Treasury Stock Number of Shares	Amount	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit During Development Stage	Noncontrolling Interest	
ion vested ted to vees 1 qtr	$	$		$		$	1,746		$	$	$	$	$
ion option ed to and qtr of debt on stock 9					37,564	38	343,962						
ion option ed to and nd qtr of debt on stock 9					1,143,324	1,143	10,468,857						
ion option ed to and months 09 expense ellation ssued to and							35,382						
2 months 09							294,912						
sive											65,721,531	205,632	

sive										6
1/09										
r)	$	$ 42,820,380	$ 42,820	$ 142,737,500	4,000,000	$ (25,974,000)	$	$ (128,335,806)	$ 382,982	$ (1
n of										
common										
esh start										
		(42,820,380)	(42,820)	(150,426,331)	(4,000,000)	25,974,000				(12
of										
d deficit										
ulated										
rehensive										
								128,335,806		12
/09										
r)	$	$	$	$ (7,688,831)		$	$	$	$ 382,982	$
n shares										
stock in										
with										
from										
		11,400,000	11,400	5,460,600						
/09										
	$	$ 11,400,000	$ 11,400	$ (2,228,231)		$	$	$	$ 382,982	$
shares of										
ock in										
with the										
ng		2,666,666	2,667	1,797,333						
common										
t. 28,										
		25,501	25	58,627						
ion										
shares										
nt		600,000	600	167,400						
ion										
option										
ed to										
				326,838						
ion										
option										
ed to										
yees				386,380						

sive loss:

								(5,049,999)	15,493	

sive loss

/31/09

$	$	14,692,167	$ 14,692	$	508,347	$	$	$ (5,049,999)	$ 398,475	$

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

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	Series A Preferred Stock Number of Shares	Amount	Series B Preferred Stock Number of Shares	Amount	Common Stock Number of Shares	Amount	Additional Paid-In Capital	Accumulated Treasury Stock Number of Shares	Amount	Other Comprehensive Income (Loss)	Accumulated Deficit During Development Stage	Noncontrolling Interest	Total Equity (Deficit)
Issuance of 5.1 million shares of common stock in March 2010, net of issuance costs of $338,100	$	$		$	5,076,664	$ 5,077	$ 3,464,323		$	$	$	$	3,469,400
Warrant fair value associated with common shares issued in March 2010							(2,890,711)						(2,890,711)
Compensation expense on shares issued to management 1Q10							18,000						18,000
Compensation expense on option awards issued to directors/employees-1Q10							324,377						324,377
Compensation expense on option awards issued to non-employees-1Q10							18,391						18,391
Compensation expense on shares issued to management 2Q10							18,000						18,000
Compensation expense on option awards issued to directors/employees-2Q10							222,011						222,011
Compensation expense on option awards issued to non-employees-2Q10							33,206						33,206
Compensation expense on shares issued to management 3Q10							18,000						18,000
Compensation expense on option awards issued to directors/employees-3Q10							183,231						183,231
Compensation expense on option awards issued to non-employees-3Q10							7,724						7,724
Comprehensive loss:													
Net loss											(8,281,245)	37,247	(8,243,998)

Comprehensive loss										(8,243,998)
Balance 9/30/10 (Successor)	$	$	19,768,831	$ 19,769	$ 1,924,899	$	$	$ (13,331,244)	$ 435,722	$ (10,950,854)

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

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Fibrocell Science, Inc.
(A Development Stage Company)
Consolidated Statements of Cash Flows
(unaudited)

	Successor	Successor	Successor Cumulative period from September 1,	Predecessor	Predecessor Cumulative period from December 28,
	Nine months ended September 30, 2010	One month ended September 30, 2009	2009 (date of inception) to September 30, 2010	Eight months ended August 31, 2009	1995 (date of inception) to August 31, 2009
Cash flows from operating activities:					
Net (loss) income	$ (8,281,245)	$ (1,957,547)	$ (13,331,244)	$ 65,721,531	$ (115,322,121)
Adjustments to reconcile net (loss) income to net cash used in operating activities:					
Reorganization items, net			72,477	(74,648,976)	(74,648,976)
Expense related to equity awards and issuance of stock	842,940	745,616	1,724,158	583,453	10,608,999
Warrant income	(1,560,757)		(1,241,673)		
Uncompensated contribution of services					755,556
Depreciation and amortization	5,612		5,612		9,091,990
Provision for doubtful accounts	(12,839)	668	(59,458)	501	337,810
Provision for excessive and/or obsolete inventory	(51,165)	5,126	(39,501)	169,085	259,427
Amortization of debt issue costs				985,237	4,107,067
Amortization of debt discounts on investments					(508,983)
Loss on disposal or impairment of property and equipment					17,668,477
Foreign exchange (gain) loss on substantial liquidation of foreign entity	(3,031)	(7,084)	(5,645)	30,012	(2,256,408)
Net loss (income) attributable to non-controlling interest	37,247	(1,644)	52,740	205,632	(1,799,523)
Change in operating assets and liabilities, excluding effects of acquisition:					
Decrease (increase) in accounts receivable	3,783	15,226	27,327	91,666	(91,496)
Decrease (increase) in other receivables	(105)	4,126	4,635	23,632	218,978

Decrease (increase) in inventory	69,086	23,508	100,009	29,543	(455,282)
Decrease (increase) in prepaid expenses	(37,812)	(301,488)	(282,717)	628,197	34,341
Decrease (increase) in other assets		4,120	4,120	(112,441)	71,000
Increase (decrease) in accounts payable	828,353	4,184	935,975	(230,592)	57,648
Increase (decrease) in accrued expenses, liabilities subject to compromise and other liabilities	1,228,707	(192,824)	802,913	1,868,162	3,311,552
Decrease in deferred revenue				(7,522)	(50,096)
Net cash used in operating activities	(6,931,226)	(1,658,013)	(11,230,272)	(4,662,880)	(148,610,040)
Cash flows from investing activities:					
Acquisition of Agera, net of cash acquired					(2,016,520)
Purchase of property and equipment	(29,675)		(29,675)		(25,515,170)
Proceeds from the sale of property and equipment, net of selling costs					6,542,434
Purchase of investments					(152,998,313)
Proceeds from sales and maturities of investments					153,507,000
Net cash used in investing activities	(29,675)		(29,675)		(20,480,569)
Cash flows from financing activities:					
Proceeds from convertible debt					91,450,000
Offering costs associated with the issuance of convertible debt					(3,746,193)
Proceeds from notes payable to shareholders, net					135,667
Proceeds from the issuance of preferred stock, net					12,931,800
Proceeds from the issuance of redeemable preferred stock series A, net			2,870,000		
Proceeds from the issuance of redeemable preferred stock series B, net	2,388,168		2,388,168		
Deposit received for issuance of shares in October 2010	130,000		130,000		
Proceeds from the issuance of common stock, net	3,469,400	1,800,000	5,269,400		93,753,857

Costs associated with secured loan and debtor-in-possession loan				(360,872)	(360,872)
Proceeds from secured loan				500,471	500,471
Proceeds from debtor-in-possession loan				2,750,000	2,750,000
Payments on insurance loan	(47,795)	(8,304)	(69,686)	(63,983)	(79,319)
Cash dividends paid on preferred stock	(139,750)		(139,750)		(1,087,200)
Cash paid for fractional shares of preferred stock					(38,108)
Merger and acquisition expenses					(48,547)
Repurchase of common stock					(26,024,280)
Net cash provided by financing activities	5,800,023	1,791,696	10,448,132	2,825,616	170,137,276
Effect of exchange rate changes on cash balances	3,473	3,174	6,622	(6,760)	(36,391)
Net increase (decrease) in cash and cash equivalents	(1,157,405)	136,857	(805,193)	(1,844,024)	1,010,276

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	Successor	Successor	Successor Cumulative period from September 1,	Predecessor	Predecessor Cumulative period from December 28,
	Nine months ended September 30, 2010	One month ended September 30, 2009	2009 (date of inception) to September 30, 2010	Eight months ended August 31, 2009	1995 (date of inception) to August 31, 2009
Cash and cash equivalents, beginning of period	1,362,488	1,010,276	1,010,276	2,854,300	
Cash and cash equivalents, end of period	$ 205,083	$ 1,147,133	$ 205,083	$ 1,010,276	$ 1,010,276
Supplemental disclosures of cash flow information:					
Predecessor cash paid for interest	$	$	$	$	$ 12,715,283
Successor cash paid for dividends	139,750		139,750		
Non-cash investing and financing activities:					
Predecessor deemed dividend associated with beneficial conversion of preferred stock	$	$	$	$	$ 11,423,824
Predecessor preferred stock dividend					1,589,861
Successor accrued preferred stock dividend	85,183		85,183		
Predecessor uncompensated contribution of services					755,556
Predecessor common stock issued for intangible assets					540,000
Predecessor common stock issued in connection with conversion of debt				10,814,000	10,814,000
					167,154

Predecessor equipment acquired through capital lease				
Successor/Predecessor financing of insurance premiums		81,517		87,623
Successor issuance of notes payable			6,000,060	6,000,060
Successor common stock issued in connection with reorganization			5,472,000	5,472,000
Successor intangible assets			6,340,656	6,340,656
Successor deferred tax liability in connection with fresh-start			2,500,000	2,500,000
Elimination of Predecessor common stock and fresh start adjustment			14,780,320	14,780,320
Successor subscription receivable	792,000	792,000		
Successor accrued warrant liability	5,579,319	5,895,511		

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

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Fibrocell Science, Inc.
(A Development Stage Company)
Notes to Consolidated Financial Statements

Note 1 Emergence from Voluntary Reorganization Under Chapter 11 Proceedings and Reorganization Plan

Background

On June 15, 2009 Isolagen, Inc. (the Predecessor) and Isolagen s wholly owned subsidiary, Isolagen Technologies, Inc. (Isolagen Tech) (Isolagen and Isolagen Tech are referred as the Debtors), each filed a voluntary petition for reorganization under Chapter 11 of the United States Bankruptcy Code (the Bankruptcy Code) in the United States Bankruptcy Court for the District of Delaware in Wilmington (the Bankruptcy Court) under Case Nos. 09-12072 and 09-12073, respectively.

On August 27, 2009 (the Confirmation Date), the Bankruptcy Court entered an order (the Confirmation Order) confirming the Debtors Joint First Amended Plan of Reorganization dated July 30, 2009, as supplemented by the Plan Supplement dated August 21, 2009 (as so modified and supplemented, the Plan). The effective date of the Plan (Effective Date) was September 3, 2009. Isolagen and Isolagen Tech emerged from bankruptcy as the reorganized debtors, Fibrocell Science, Inc. (Fibrocell or the Company or the Successor) and Fibrocell Technologies, Inc. (Fibrocell Technologies), respectively (collectively, the Reorganized Debtors). Fibrocell now operates outside of the restraints of the bankruptcy process, free of the debts and liabilities discharged by the Plan.

The Predecessor Company s officers and directors as of the effective date were all deemed to have resigned and a new board of directors was appointed. As of the effective date, the Successor Company s initial board of directors consisted of: David Pernock, Paul Hopper and Kelvin Moore. Dr. Robert Langer was appointed to the Board in late September 2009. Declan Daly remained as chief operating officer and chief financial officer of the reorganized company, and in November 2009, he was appointed to the Board of Directors. Mr. Daly received 5% of the Common Stock of the Successor as of the date of his appointment, which is subject to a two-year vesting schedule whereby 50% vested on the Effective Date, 25% shall vest on the first anniversary and 25% shall vest on the second anniversary. Mr. Daly was the acting interim chief executive officer until February 1, 2010. On February 1, 2010, David Pernock became the Chief Executive Officer. Marc Mazur was appointed to the Board of Directors in April 2010. George J. Korkos, M.D., D.D.S., F.A.C.S. was appointed to the Board of Directors in July 2010.

Plan of Reorganization

Pursuant to the Plan, all of the Predecessor Company s equity interests, including without limitation its common stock, options and warrants outstanding as of the effective date were cancelled. On the effective date, the Successor Company completed an exit financing of common stock in the amount of $2 million, after which the equity holders of the Successor Company were:

7,320,000 shares, to our pre-bankruptcy lenders and the lenders that provided us our debtor-in-possession facility, collectively;

3,960,000 shares, to the holders of our 3.5% convertible subordinated notes;

600,000 shares, to our management as of the effective date, which was our chief operating officer;

120,000 shares, to the holders of our general unsecured claims; and

2,666,666 shares, to the purchasers of shares in the $2 million exit financing (our pre-bankruptcy lenders, the lenders that provided us our debtor-in-possession facility and the holders of our 3.5% convertible subordinated notes were permitted to participate in our exit financing).

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In the Plan, in addition to the common stock set forth above, each holder of Isolagen s 3.5% convertible subordinated notes, due November 2024, in the approximate non-converted aggregate principal amount of $81 million, received, in full and final satisfaction, settlement, release and discharge of and in exchange for any and all claims arising out of the 3.5% convertible subordinated notes, its pro rata share of an unsecured note in the principal amount of $6 million, or the Notes. The Notes have the following features:

12.5% interest payable quarterly in cash or, at the Company s option, 15% payable in kind by capitalizing such unpaid amount and adding it to the principal as of the date it was due;

matures June 1, 2012;

at any time prior to the maturity date, the Company may redeem any portion of the outstanding principal of the Notes in cash at 125% of the stated face value of the Notes; provided that the Company will be obligated to redeem all outstanding Notes upon the following events: (a) the Company or its subsidiary, Fibrocell Technologies, Inc. (formerly, Isolagen Technologies, Inc.) successfully complete a capital campaign raising in excess of $10,000,000; or (b) the Company or its subsidiary, Fibrocell Technologies, Inc., are acquired by, or sell a majority stake to, an outside party;

the Notes contain customary representations, warranties and covenants, including a covenant that the Company and its subsidiary, Fibrocell Technologies, Inc., shall be prohibited from the incurrence of additional debt without obtaining the consent of 66 2/3% of the Note holders.

Trading of Common Stock

The Predecessor s common stock ceased trading on the NYSE Amex on May 6, 2009 and in June 2009 the NYSE Amex delisted the Predecessor s common stock from listing on the NYSE Amex. Upon the Effective Date, the outstanding common stock of the Predecessor Company was cancelled for no consideration. Consequently, the Predecessor s stockholders prior to the Effective Date no longer have any interest as stockholders of the Predecessor Company by virtue of their ownership of the Predecessor s common stock prior to the emergence from bankruptcy. On October 21, 2009, the Successor Company was available for trading on the OTC Bulletin Board under the symbol FCSC .

Note 2 Basis of Presentation, Business and Organization

Fibrocell is the parent company of Fibrocell Technologies and Agera Laboratories, Inc., a Delaware corporation (Agera). Fibrocell Technologies is the parent company of Isolagen Europe Limited, a company organized under the laws of the United Kingdom (Isolagen Europe), Isolagen Australia Pty Limited, a company organized under the laws of Australia (Isolagen Australia), and Isolagen International, S.A., a company organized under the laws of Switzerland (Isolagen Switzerland).

The Company is an aesthetic and therapeutic company focused on developing novel skin and tissue rejuvenation products. The Company s clinical development product candidates are designed to improve the appearance of skin injured by the effects of aging, sun exposure, acne and burns with a patient s own, or autologous, fibroblast cells produced in the Company s proprietary Fibrocell Process. The Company also markets an advanced skin care line with broad application in core target markets through its Agera subsidiary.

In October 2006, the Predecessor Company reached an agreement with the U.S. Food and Drug Administration (FDA) on the design of a Phase III pivotal study protocol for the treatment of nasolabial fold wrinkles. The randomized, double-blind protocol was submitted to the FDA under the agency s Special Protocol Assessment (SPA) regulations. Pursuant to this assessment process, the FDA has agreed that the Predecessor Company s study design for two identical trials, including patient numbers, clinical endpoints, and statistical analyses, is acceptable to the FDA to form the basis of an efficacy claim for a marketing application. The randomized, double-blind, pivotal Phase III trials will evaluate the efficacy and safety of our product against placebo in approximately 400 patients with approximately 200 patients enrolled in each trial. The Predecessor Company completed enrollment of the study and commenced injection of subjects in early 2007. All injections were completed in January 2008 and top line results from this trial were publically announced in August 2008. The data analysis, including safety data, was publically released in October 2008. The related Biologics License Application (BLA) was submitted to the FDA in March 2009. In May 2009, the Predecessor Company announced that the FDA had completed its initial review of the Company s BLA related to its nasolabial fold wrinkles product candidate and that the FDA had accepted (or filed) the BLA for full

review.

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On October 9, 2009, the FDA Cellular, Tissue and Gene Therapies Advisory Committee reviewed the Company s nasolabial fold wrinkles product candidate. The Committee voted 11 yes to 3 no that the data presented on our product demonstrated efficacy, and 6 yes to 8 no that the data demonstrated safety; both for the proposed indication of treatment of nasolabial fold wrinkles. The Committee s recommendations are not binding on the FDA, but the FDA will consider their recommendations during their review of our application. The United States Adopted Names (USAN) Council adopted the USAN name, azficel-T, for our nasolabial fold wrinkles product candidate on October 28, 2009, and the FDA is currently evaluating a proposed brand name, Laviv .

On December 21, 2009, Fibrocell received a Complete Response letter from the FDA related to the BLA for azficel-T, an autologous cell therapy for the treatment of moderate to severe nasolabial fold wrinkles in adults. A Complete Response letter is issued by the FDA s Center for Biologics Evaluation and Research (CBER) when the review of a file is completed and additional data are needed prior to approval. The Complete Response letter requested that Fibrocell Science provide data from a histopathological study on biopsied tissue samples from patients following injection of azficel-T. The histology study (IT-H-001) will evaluate tissue treated with azficel-T as compared to tissue treated with sterile saline (placebo). The study will also provide information about the skin after treatment, including evaluation of collagen and elastin fibrils, and cellular structure of the sampled tissues. The Company submitted a proposed protocol concerning a histopathological study on biopsied samples to the FDA and to the Company s Investigational Review Board (IRB). The IRB has approved the protocol and the Company received the comments from the FDA on the protocol in May 2010.

On May 13, 2010, the Company announced the initiation of a small histology study of azficel-T, an autologous cell therapy currently under review by the U.S. Food and Drug Administration (FDA) for the treatment of moderate to severe nasolabial fold wrinkles. The study has a target enrollment of approximately 20 participants from the completed and statistically significant pivotal Phase III studies of azficel-T (IT-R-005 and IT-R-006). The Company announced on July 8, 2010, the completion of enrollment of and first treatment visits for participants in its histology study of azficel-T. The second treatment visits for participants enrolled in the histology study of azficel-T were completed by the end of July. The third treatment visits for participants enrolled in the histology study of azficel-T were completed by the end of August.

The Complete Response letter also requested finalized Chemistry, Manufacturing and Controls (CMC) information regarding the manufacture of azficel-T as follow-up to discussions that occurred during the BLA review period, as well as revised policies and procedures.

The Company anticipates filing its response to the FDA s Complete Response letter by the end of 2010. There is no assurance that the FDA will accept the Company s response as it may find that the Company s response does not provide sufficient information to address its Complete Response letter. Even if the FDA accepts the Company s response for complete evaluation, there is no assurance that it will approve our product. The FDA, under the Prescription Drug User Fee Act (PDUFA), has a target six months review window to completely evaluate the Company s response upon acceptance of the response.

Basis of Presentation

For discussions on the results of operations, the Successor Company has compared the three and nine months ended September 30, 2010 (Successor Company) to the three and nine months ended September 30, 2009 (Predecessor Company). The Successor Company believes that the financial results provide management and investors a more meaningful analysis of the Successor Company s performance and trends for comparative purposes.

The consolidated financial statements and notes thereto presented herein are unaudited. In the opinion of management, all adjustments (consisting of normal accruals) have been made that are necessary to present fairly the financial position of the Company as of September 30, 2010, and the results of its operations and cash flows for the nine months ended September 30, 2010 and the cumulative period from September 1, 2009 (date of inception) to September 30, 2010. These financial statements should be read in conjunction with the financial statements that were included in the Company s Annual Report on Form 10-K for the period ended December 31, 2009.

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In June 2009, the Financial Accounting Standards Board (FASB) issued Accounting Standards Codification 105 (ASC), Generally Accepted Accounting Principles, which became the single source of authoritative nongovernmental U.S. generally accepted accounting principles (GAAP), superseding existing FASB, American Institute of Certified Public Accountants (AICPA), Emerging Issues Task Force (EITF), and related accounting literature. This pronouncement reorganizes the thousands of GAAP pronouncements into roughly 90 accounting topics and displays them using a consistent structure. Also included is relevant Securities and Exchange Commission (SEC) guidance organized using the same topical structure in separate sections and will be effective for financial statements issued for reporting periods that end after September 15, 2009. The impact on the Company s financial disclosures is that references to authoritative accounting literature will be references in accordance with ASC 105.

Financial Reporting by Entities in Reorganization under the Bankruptcy Code

Overall, ASC 852-10, Financial Reporting by Entities in Reorganization Under the Bankruptcy Code, (ASC 852) applies to the Company s financial statements for the periods that the Company operated under the provisions of Chapter 11. ASC 852 does not change the application of generally accepted accounting principles in the preparation of financial statements. However, for periods including and subsequent to the filing of the Chapter 11 petition, ASC 852 does require that the financial statements distinguish transactions and events that are directly associated with the reorganization from the ongoing operations of the business. Accordingly, certain revenues, expenses, gains, and losses that were realized or incurred during the Chapter 11 proceedings have been classified as reorganization items, net on the accompanying consolidated statements of operations.

As of September 1, 2009, the Successor Company adopted fresh-start accounting in accordance with ASC 852-10. The Successor Company selected September 1, 2009, as the date to effectively apply fresh-start accounting based on the absence of any material contingencies at the September 3, 2009 effective date and the immaterial impact of transactions between September 1, 2009 and September 3, 2009. The adoption of fresh-start accounting resulted in the Successor Company becoming a new entity for financial reporting purposes. The Successor Company is a development stage company in accordance with ASC 915, Development Stage Entities.

Accordingly, the financial statements prior to September 1, 2009 are not comparable with the financial statements for periods on or after September 1, 2009. References to Successor or Successor Company refer to the Company on or after September 1, 2009, after giving effect to the cancellation of Isolagen, Inc. common stock issued prior to the Effective Date, the issuance of new Fibrocell Science, Inc. common stock in accordance with the Plan, and the application of fresh-start accounting. References to Predecessor or Predecessor Company refer to the Company prior to September 1, 2009. See Note 5 Fresh-Start Accounting in the notes to these Consolidated Financial Statements for further details.

Note 3 Going Concern

The Successor Company emerged from Bankruptcy in September 2009 and continues to operate as a going concern. At September 30, 2010, the Successor Company had cash and cash equivalents of approximately $0.2 million and negative working capital of $1.1 million. In early July 2010, the Successor Company raised approximately $2.7 million less fees as a result of the issuance of preferred stock and warrants. In early September 2010, the Successor Company raised approximately $0.7 million less fees as a result of the issuance of preferred stock and warrants. The Successor Company has also raised approximately $1.0 million less fees as the result of the issuance of preferred stock and warrants in the period from October 1, 2010 to November 12, 2010.

The Company has not yet received $0.7 million in subscription proceeds from the above raises. Although the Company believes that these outstanding funds will be received, there is no guarantee that these funds will be received.

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As of November 12, 2010, the Company had cash and cash equivalents of approximately $0.2 million and liabilities of approximately $1.6 million. Thus, the Successor Company will require to raise additional cash resources in the very near future, or it will likely cease operations. The Successor Company will need to access the capital markets in the future in order to fund future operations. There is no guarantee that any such required financing will be available on terms satisfactory to the Successor Company or available at all. These matters create uncertainty relating to its ability to continue as a going concern. The accompanying consolidated financial statements do not reflect any adjustments relating to the recoverability and classification of assets or liabilities that might result from the outcome of these uncertainties.

Further, if the Successor Company raises additional cash resources in the very near future, it may be raised in contemplation of or in connection with bankruptcy. In the event of a bankruptcy, it is likely that its common stock and common stock equivalents will become worthless and our creditors will receive significantly less than what is owed to them.

Through September 30, 2010, the Successor Company has been primarily engaged in developing its initial product technology. In the course of its development activities, the Company has sustained losses and expects such losses to continue through at least 2010. During the nine months ended September 30, 2010, the Successor Company financed its operations primarily through its existing cash, but as discussed above it now requires additional financing. There is substantial doubt about the Successor Company s ability to continue as a going concern.

The Successor Company s ability to complete additional offerings is dependent on the state of the debt and/or equity markets at the time of any proposed offering, and such market s reception of the Successor Company and the offering terms. The Successor Company s ability to complete an offering is also dependent on the status of its FDA regulatory milestones and its clinical trials, and in particular, the status of its indication for the treatment of nasolabial fold wrinkles and the status of the related BLA, which cannot be predicted. There is no assurance that capital in any form would be available to the Company, and if available, on terms and conditions that are acceptable.

As a result of the conditions discussed above, and in accordance with GAAP, there exists substantial doubt about the Successor Company s ability to continue as a going concern, and its ability to continue as a going concern is contingent, among other things, upon its ability to secure additional adequate financing or capital in the very near future. If the Successor Company does not obtain additional funding, or does not anticipate additional funding, in the very near future, it will likely enter into bankruptcy and/or cease operations. Further, if it does raise additional cash resources in the very near future, it may be raised in contemplation of or in connection with bankruptcy. If the Successor Company enters into bankruptcy, it is likely that its common stock and common stock equivalents will become worthless and its creditors, including preferred stock, will receive significantly less than what is owed to them.

Note 4 Summary of Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts in the consolidated financial statements and notes. In addition, management s assessment of the Successor Company s ability to continue as a going concern involves the estimation of the amount and timing of future cash inflows and outflows. Actual results may differ materially from those estimates.

Cash and Cash Equivalents

The Company considers highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Concentration of Credit Risk

As of September 30, 2010, the Successor Company maintains the majority of its cash primarily with one major U.S. domestic bank. The amounts held in this bank do not exceed the insured limit of $250,000. The terms of these deposits are on demand to minimize risk. The Successor Company has not incurred losses related to these deposits. Cash and cash equivalents of approximately $0.1 million, related to Agera and the Successor Company s Swiss subsidiary, is maintained in two separate financial institutions. The Successor Company invests these funds primarily in demand deposit accounts.

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Allowance for Doubtful Accounts

The Successor Company maintains an allowance for doubtful accounts related to its accounts receivable that have been deemed to have a high risk of collectability. Management reviews its accounts receivable on a monthly basis to determine if any receivables will potentially be uncollectible. One foreign customer represents 89% and 87% of accounts receivable, net, at September 30, 2010 and December 31, 2009, respectively. Management analyzes historical collection trends and changes in its customer payment patterns, customer concentration, and creditworthiness when evaluating the adequacy of its allowance for doubtful accounts. In its overall allowance for doubtful accounts, the Successor Company includes any receivable balances that are determined to be uncollectible. Based on the information available, management believes the allowance for doubtful accounts is adequate; however, actual write-offs might exceed the recorded allowance.

The allowance for doubtful accounts was $24,259 and $37,098 at September 30, 2010 and December 31, 2009, respectively.

Inventory

Agera purchases the large majority of its inventory from one contract manufacturer. Agera accounts for its inventory on the first-in-first-out method. At September 30, 2010, Agera s inventory of $0.2 million consisted of $0.1 million of raw materials and $0.1 million of finished goods. At December 31, 2009, Agera s inventory of $0.2 million consisted of $0.2 million of raw materials and less than $0.1 million of finished goods.

Property and equipment

Property and equipment is carried at cost less accumulated depreciation and amortization. Generally, depreciation and amortization for financial reporting purposes is provided by the straight-line method over the estimated useful life of three years, except for leasehold improvements which are amortized using the straight-line method over the remaining lease term or the life of the asset, whichever is shorter. The cost of repairs and maintenance is charged as an expense as incurred.

Intangible assets

Intangible assets are research and development assets related to the Successor Company s primary study that was recognized upon emergence from bankruptcy (see Note 5). Intangibles are tested for recoverability whenever events or changes in circumstances indicate the carrying amount may not be recoverable. An impairment loss, if any, would be measured as the excess of the carrying value over the fair value determined by discounted cash flows. There was no impairment of the intangible assets as of September 30, 2010.

Revenue recognition

The Successor Company recognizes revenue over the period the service is performed in accordance with ASC 605, Revenue Recognition (ASC 605). In general, ASC 605 requires that four basic criteria must be met before revenue can be recognized: (1) persuasive evidence of an arrangement exists, (2) delivery has occurred or services rendered, (3) the fee is fixed and determinable and (4) collectability is reasonably assured.

Revenue from the sale of Agera s products is recognized upon transfer of title, which is upon shipment of the product to the customer. The Successor Company believes that the requirements of ASC 605 are met when the ordered product is shipped, as the risk of loss transfers to our customer at that time, the fee is fixed and determinable and collection is reasonably assured. Any advanced payments are deferred until shipment.

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Shipping and handling costs

Agera charges its customers for shipping and handling costs. Such charges to customers are presented net of the costs of shipping and handling, as selling, general and administrative expense, and are not significant to the consolidated statements of operations.

Advertising cost

Agera advertising costs are expensed as incurred and include the costs of public relations and certain marketing related activities. These costs are included in selling, general and administrative expenses in the accompanying consolidated statements of operations.

Research and development expenses

Research and development costs are expensed as incurred and include salaries and benefits, costs paid to third-party contractors to perform research, conduct clinical trials, develop and manufacture drug materials and delivery devices, and a portion of facilities cost. Research and development costs also include costs to develop manufacturing, cell collection and logistical process improvements.

Clinical trial costs are a significant component of research and development expenses and include costs associated with third-party contractors. Invoicing from third-party contractors for services performed can lag several months. The Successor Company accrues the costs of services rendered in connection with third-party contractor activities based on its estimate of management fees, site management and monitoring costs and data management costs. Actual clinical trial costs may differ from estimated clinical trial costs and are adjusted for in the period in which they become known.

Warrant Liability

The warrants for the Successor Company are measured at fair value and liability-classified under ASC 815, Derivatives and Hedging, (ASC 815) because the warrants contain down-round protection and therefore, do not meet the scope exception for treatment as a derivative under ASC 815. Since down-round protection is not an input into the calculation of the fair value of the warrants, the warrants cannot be considered indexed to the Company s own stock which is a requirement for the scope exception as outlined under ASC 815. The fair value of the warrants is determined using the Black-Scholes option pricing model and is affected by changes in inputs to that model including our stock price, expected stock price volatility, the contractual term, and the risk-free interest rate. The Successor Company will continue to classify the fair value of the warrants as a liability until the warrants are exercised, expire or are amended in a way that would no longer require these warrants to be classified as a liability.

Stock-based Compensation

The Successor Company accounts for stock-based awards to employees and non-employees using the fair value based method to determine compensation for all arrangements where shares of stock or equity instruments are issued for compensation. The Successor Company uses a Black-Scholes options-pricing model to determine the fair value of each option grant as of the date of grant for expense incurred. The Black-Scholes model requires inputs for risk-free interest rate, dividend yield, volatility and expected lives of the options. Expected volatility is based on historical volatility of the Company s competitor s stock since the Predecessor Company ceased trading as part of the bankruptcy and emerged as a new entity. 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 the grant. The expected lives for options granted represents the period of time that options granted are expected to be outstanding and is derived from the contractual terms of the options granted. The Successor Company estimates future forfeitures of options based upon expected forfeiture rates.

Income taxes

An asset and liability approach is used for financial accounting and reporting for income taxes. Deferred income taxes arise from temporary differences between income tax and financial reporting and principally relate to recognition of revenue and expenses in different periods for financial and tax accounting purposes and are measured using currently enacted tax rates and laws. In addition, a deferred tax asset can be generated by net operating loss (NOLs) carryover. If it is more likely than not that some portion or all of a deferred tax asset will not be realized, a valuation allowance is recognized.

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In the event the Company is charged interest or penalties related to income tax matters, the Company would record such interest as interest expense and would record such penalties as other expense in the consolidated statements of operations. No such charges have been incurred by the Company. As of September 30, 2010 and December 31, 2009, the Successor Company had no accrued interest related to uncertain tax positions.

At September 30, 2010 and December 31, 2009, the Company has provided a full valuation allowance for the net deferred tax assets, the large majority of which relates to the future benefit of loss carryovers. In addition, as a result of fresh-start accounting, the Successor Company may be limited by section 382 of the Internal Revenue Service Code. The tax years 2006 through 2009 remain open to examination by the major taxing jurisdictions to which we are subject. The deferred tax liability at September 30, 2010 and December 31, 2009, relates to the intangible assets recognized upon fresh-start accounting.

Earnings (loss) per share data

Basic earnings (loss) per share is calculated based on the weighted average common shares outstanding during the period. Diluted earnings per share (Diluted EPS) also gives effect to the dilutive effect of stock options, warrants, restricted stock and convertible preferred stock calculated based on the treasury stock method.

The Predecessor and Successor Company s potentially dilutive securities consist of potential common shares related to stock options, warrants, restricted stock and convertible preferred stock. Diluted EPS includes the impact of potentially dilutive securities except in periods in which there is a loss because the inclusion of the potential common shares would be anti-dilutive. The Company does not present diluted earnings per share for years in which it incurred net losses as the effect is anti-dilutive. There were no potentially dilutive securities for the eight months ended August 31, 2009, due to the cancellation of the convertible notes and the cancellation of all the outstanding stock option plans and the last known market price was less than exercise price.

Fair Value of Financial Instruments

The carrying values of certain of the Successor Company s financial instruments, including cash equivalents and accounts payable approximates fair value due to their short maturities. The fair values of the Successor Company s long-term obligations are based on assumptions concerning the amount and timing of estimated future cash flows and assumed discount rates reflecting varying degrees of risk. The carrying values of the Successor Company s long-term obligations approximate their fair values.

The fair value of the reorganization value which applies in fresh-start accounting was estimated by applying the income approach and a market approach. This fair value measurement is based on significant inputs that are not observable in the market and, therefore, represents a Level 3 measurement as defined in ASC 820, Fair Value Measurements.

Adoption of Standards

In March 2010, the FASB amended the disclosure requirements so that SEC filers are no longer required to disclose the date through which subsequent events have been evaluated in originally issued and revised financial statements. This revised guidance is effective immediately and we adopted this pronouncement on March 31, 2010 and have revised the disclosures as required.

On December 15, 2009, the FASB issued ASU No. 2010-06 Fair Value Measurements and Disclosures Topic 820 Improving Disclosures about Fair Value Measurements . This ASU requires some new disclosures and clarifies some existing disclosure requirements about fair value measurement as set forth in Codification Subtopic 820-10. The FASB s objective is to improve these disclosures and, thus, increase the transparency in financial reporting. The adoption of this ASU did not have a material impact on the Company s consolidated financial statements.

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Note 5 Fresh-Start Accounting

On September 1, 2009, the Successor Company adopted fresh-start accounting upon the emergence of bankruptcy in accordance with ASC 852-10, Reorganization. Fresh-start accounting results in the Company becoming a new entity for financial reporting purposes. Accordingly, the Company s consolidated financial statements for periods prior to September 1, 2009 are not comparable to consolidated financial statements presented on or after September 1, 2009. The Company selected September 1, 2009, as the date to apply fresh-start accounting based on the absence of any material contingencies at the September 3, 2009 effective date and the immaterial impact of transactions between September 1, 2009 and September 3, 2009.

Under ASC 852-10, the Successor Company must determine a value to be assigned to the equity of the emerging company as of the date of the adoption of fresh-start accounting. The Successor Company obtained an independent appraisal to value the equity and it served as the fair market value of the emerging Company s equity.

Fresh-start accounting reflects the value of the Successor Company as determined in the confirmed Plan. Under fresh-start accounting, the Successor Company s assets values are remeasured and allocated in conformity with ASC 805-20, Business Combinations, Identifiable Assets and Liabilities, and any Noncontrolling Interest. Fresh-start accounting also requires that all liabilities should be stated at fair value. The portion of the reorganization value which was attributed to identified intangible assets was $6,340,656. This value is related to research and development assets that are not subject to amortization. In accordance with ASC 805-20, this amount is reported as intangibles in the consolidated financial statements as of September 30, 2010, and is not being amortized.

The following fresh-start Consolidated Balance Sheet presents the financial effects on the Successor Company with the implementation of the Plan and the adoption of fresh-start accounting. The effect of the consummation of the transactions contemplated in the Plan included the settlement of liabilities and the issuance of common stock.

The effects of the Plan and fresh-start reporting on the Successor Company s Consolidated Balance Sheet are as follows:

	Predecessor August 31, 2009	Reclassifications And Plan of Reorganization	Fresh Start Accounting Adjustments	Successor September 1, 2009
Assets				
Current assets:				
Cash and cash equivalents	$ 1,010,277	$	$	$ 1,010,277
Accounts receivable, net	246,684			246,684
Inventory, net	268,619			268,619
Prepaid expenses	221,225			221,225
Other current assets	4,140			4,140
Current assets of discontinued operations, net	785			785
Total current assets	1,751,730			1,751,730
Intangible assets			6,340,656(e)	6,340,656
Other assets	1,671			1,671
Total assets	$ 1,753,401	$	$ 6,340,656	$ 8,094,057
Liabilities, Shareholders Equity/(Deficit) and Noncontrolling Interests				

Current liabilities:			
Current debt	$ 8,304	$	$ 8,304
Accounts payable	137,401		137,401
Accrued expenses	849,395		849,395
Liabilities subject to compromise	82,181,741	(82,181,741)(a)	
Prepetition secured loan, subject to compromise	500,471	(500,471)(b)	
Debtor-in-possession loan	2,750,000	(2,750,000)(b)	
Current liabilities of discontinued operations	25,668		25,668
Total current liabilities	86,452,980	(85,432,212)	1,020,768

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	Predecessor August 31, 2009	Reclassifications And Plan of Reorganization	Fresh Start Accounting Adjustments	Successor September 1, 2009
Other long term liabilities of continuing operations	407,078			407,078
Notes payable		6,000,060(a)		6,000,060
Deferred tax liability			2,500,000(f)	2,500,000
Total liabilities	86,860,058	(79,432,152)	2,500,000	9,927,906
Commitments and contingencies				
Shareholders Equity (Deficit):				
Predecessor common stock	42,821	(42,821)(c)		
Predecessor additional paid-in capital	142,737,499	(25,931,179)(c)	(116,806,320)(g)	
Predecessor treasury stock	(25,974,000)	25,974,000(c)		
Successor common stock		11,400(a)(b)		11,400
Successor additional paid-in capital		5,460,600(a)(b)	(7,688,831)(g)	(2,228,231)
Accumulated deficit during development stage	(202,295,959)	73,960,152(a)(b)(c)(d)	128,335,807(g)	
Total shareholders equity (deficit)	(85,489,639)	79,432,152	3,840,656	(2,216,831)
Noncontrolling interest	382,982			382,982
Total equity (deficit) and noncontrolling interests	(85,106,657)	79,432,152	3,840,656	(1,833,849)
Total liabilities, shareholders equity/(deficit) and noncontrolling interests	$ 1,753,401	$	$ 6,340,656	$ 8,094,057

Notes to Plan of Reorganization and fresh-start accounting adjustments

(a) This adjustment reflects the discharge of liabilities subject to compromise in accordance with the Plan of

Reorganization and the issuance of $6 million in Notes payable and the issuance of 4,080,000 shares of Successor Company common stock in satisfaction of such claims.

(b) This adjustment reflects the discharge of prepetition loan and debtor in-possession loan in accordance with the Plan of Reorganization and the issuance of 7,320,000 shares of the Successor Company common stock in satisfaction of such claims.

(c) This adjustment reflects the cancellation of the Predecessor Company s common stock, additional paid-in capital and treasury stock.

(d) To reset accumulated deficit to zero for the consolidated subsidiaries included in the Plan of

Reorganization.

(e) This adjustment reflects the portion of the reorganization value which was attributed to identified intangible assets.

(f) To record deferred tax liability as a result of the impact of fresh-start accounting fair value adjustments.

(g) To reset Predecessor additional paid-in capital, accumulated deficit to zero and record net fresh-start adjustments.

Note 6 Liabilities Subject to Compromise and Reorganization Items

Liabilities subject to compromise refers to pre-petition obligations that were impacted by the Chapter 11 reorganization process. For further information regarding the discharge of liabilities subject to compromise, see Note 5- Fresh-Start Accounting in the notes of these Financial Statements. As of September 30, 2010, there were no liabilities subject to compromise.

The Company incurred certain professional fees and other expenses directly associated with the bankruptcy proceedings. In addition, the Company has made adjustments to the carrying value of certain prepetition liabilities. Such costs and adjustments are classified as reorganization items, net and are presented separately in the unaudited consolidated statements of operations. There were no reorganization costs for the three months ended September 30, 2010. For the nine months ended September 30, 2010, there was $13,150 in professional fees offset by the gain from discharge of a liability of $16,453 for a net gain of $3,303.

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For the nine months ended September 30, 2009, the following have been incurred:

	Successor	Predecessor	
	One month ended September 30, 2009	Two months ended August 31, 2009	Eight months ended August 31, 2009
Professional fees (expense)	$	$ (334,738)	$ (533,271)
Debt issuance costs related to DIP facility		(182,050)	(295,757)
Other debt issuance costs			(280,964)
Gain on discharge of liabilities subject to compromise		74,648,976	74,648,976
Total reorganization items, net	$	$ 74,132,188	$ 73,538,984

The $74.6 million gain from discharge of liabilities subject to compromise is the result of the settlement of 3.5% Subordinated Notes in exchange for $6.0 million in Notes Payable and 3,960,000 shares, Debtor-in-Possession Credit Facility and Prepetition Secured Loan in exchange for 7,320,000 shares of the Successor Company s common stock and unsecured claims in exchange for 120,000 shares. On the Effective Date, all stock option plans of the Predecessor company were cancelled.

Cash paid for reorganization items during the three and nine months ended September 30, 2009 was $0.4 and $0.6 million, respectively. Professional fees include financial, legal and valuation services directly associated with the reorganization process.

Note 7 Agera Laboratories, Inc.

On August 10, 2006, the Predecessor Company acquired 57% of the outstanding common shares of Agera. Agera is a skincare company that has proprietary rights to a scientifically-based advanced line of skincare products. Agera markets its product primarily in the United States and Europe. The results of Agera s operations and cash flows have been included in the consolidated financial statements from the date of the acquisition. The assets and liabilities of Agera have been included in the consolidated balance sheets since the date of the acquisition.

Note 8 Accrued Expenses

Accrued expenses are comprised of the following:

	Successor	
	September 30, 2010	December 31, 2009
Accrued professional fees	$ 447,790	$ 147,410
Accrued compensation	360,136	7,208
Accrued interest	858,538	246,578
Dividend on preferred stock payable	85,183	42,740
Accrued other	342,785	100,324
Accrued expenses	$ 2,094,432	$ 544,260

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Note 9-Equity

Preferred Stock Series A

In October 2009, the Successor Company completed an offering of Series A Preferred Stock, Class A Warrants and Class B Warrants (the October 2009 Offering). Each of the foregoing securities were subject to the down-round protection, which provisions require the lowering of the conversion price or exercise price, as applicable, to the purchase price in the current offering, or $0.75, and with respect to the warrants, the number of shares issuable under the warrants issued in the October 2009 Offering will be proportionately increased such that the aggregate exercise price payable, after taking into consideration the decrease in exercise price, shall be equal to the aggregate exercise price prior to such adjustment. The preferred stock has been classified within the mezzanine section between liabilities and equity in its consolidated balance sheets because any holder of Series A Preferred Stock may require the Successor Company to redeem all of its Series A Preferred Stock in the event of a triggering event which is outside of the control of the Successor Company. The Successor Company records accrued dividends at a rate of 6% per annum on the Series A Preferred stock. A dividend payment of $91,000 was paid in April 2010 for the dividends accrued as of March 31, 2010 and $48,750 was paid in July 2010 for the dividends accrued as of June 30, 2010. As of September 30, 2010, $48,750 is accrued for dividends payable.

Preferred Stock Series B

On July 16, 2010, the Company entered into a Securities Purchase Agreement (the Purchase Agreement) with certain accredited investors (the Purchasers), pursuant to which the Company agreed to sell to the Purchasers in the aggregate: (i) 2,702 shares of Series B Convertible Preferred Stock, with a par value of $0.001 per share and a stated value of $1,000 per share (Series B Preferred), and (ii) warrants to purchase 4,503,334 shares of Company common stock (Common Stock) at an exercise price of $0.8054 per share (the Warrants). Of the foregoing, to date, the Company has not received $210,000 in subscription proceeds representing 210 shares Series B Preferred and Warrants to purchase 350,000 shares. The Successor Company records accrued dividends at a rate of 6% per annum on the Series B Preferred stock. As of September 30, 2010, $36,433 is accrued for dividends payable.

The aggregate purchase price paid by the Purchasers for the Series B Preferred and the Warrants was $2,702,000 (representing $1,000 for each share of Series B Preferred together with the Warrants). The Company used the proceeds for working capital purposes.

Viriathus Capital LLC and John Carris Investments LLC were co-placement agents for the Transaction, and received, in the aggregate, cash compensation of $216,160 and warrants to purchase 360,267 shares of Common Stock at an exercise price of $0.60 per share.

On September 8, 2010, the Company entered into Securities Purchase Agreements (the Purchase Agreements) with certain accredited investors (the Purchasers), pursuant to which the Company agreed to sell to the Purchasers in the aggregate: (i) 725 shares of Series B Convertible Preferred Stock, with a par value of $0.001 per share and a stated value of $1,000 per share (Series B Preferred), and (ii) warrants to purchase 1,208,333 shares of Company common stock (Common Stock) at an exercise price of $0.8054 per share (the Warrants) (the Transactions).

The aggregate purchase price to be paid by the Purchasers for the Series B Preferred and the Warrants will be $725,000 (representing $1,000 for each share of Series B Preferred together with Warrants). Of the foregoing, to date, the Company has not received $450,000 in subscription proceeds representing 450 shares Series B Preferred and Warrants to purchase 750,000 shares. Upon receipt of these subscription proceeds, the Company will issue the foregoing securities. The remaining securities sold in the Transactions have been issued. The Company intends to use the proceeds for working capital purposes.

Viriathus Capital LLC and John Carris Investments LLC were co-placement agents for the Transactions, and will receive cash compensation of $58,000 and warrants to purchase 96,667 shares of Common Stock at an exercise price of $0.60 per share (assuming all subscription proceeds are received in the Transactions).

Common Stock Offering

On March 2, 2010, the Company entered into a Securities Purchase Agreement (the Purchase Agreement) with certain accredited investors (the Purchasers), pursuant to which the Company sold to the Purchasers in the aggregate 5,076,664 shares of common stock at a purchase price of $0.75 per share. Each Purchaser also received a warrant to purchase the same number of shares of common stock acquired in the offering at an exercise price of $0.98 per share

(the Warrants).

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The aggregate purchase price paid by the Purchasers for the common stock and the warrants was $3,807,500. The Company used the proceeds for working capital purposes.

Viriathus Capital LLC and John Carris Investments LLC were co-placement agents for the transaction, and received cash compensation of $304,600 and warrants to purchase 406,133 shares of common stock at an exercise price of $0.75 per share upon the closing.

Note 10-Warrants

Preferred Stock Series A Class A and B Warrants and Placement Agent Warrants

As disclosed above in Note 9, the Successor Company issued Class A warrants, Class B warrants and placement agent warrants in connection with the October 2009 preferred stock transaction. The warrants are liability classified since they have down-round price protection and they are re-measured on the Company s reporting dates. As a result of the March 2, 2010 common stock financing and the down-round provision, the Class A warrants, Class B warrants and placement agent warrants were reissued to purchase 2.6 million shares of Common Stock at an exercise price of $0.60 per share.

Preferred Stock Series B Warrants and Co-placement Agent Warrants

In connection with the Series B Convertible Preferred Stock transaction, the Successor Company issued 5,711,666 warrants at an exercise price of $0.8054 per share and 456,934 placement agent warrants at an exercise price of $0.60 per share. The warrants are liability classified since they have down-round price protection and they are re-measured on the Company s reporting dates. The weighted average fair market value of the warrants, at the date of issuance, granted to the accredited investors and co-placement agents, based on the Black-Scholes valuation model, is estimated to be $0.43 per warrant and $0.46 per warrant, respectively.

Common Stock Warrants and Co-placement Agent Warrants

In connection with the March 2, 2010 financing, the Successor Company issued 5,076,664 warrants at an exercise price of $0.98 per share to the accredited investors and 406,133 warrants at an exercise price of $0.75 to the co-placement agents upon closing. The warrants are liability classified since they have down-round price protection and they are re-measured on the Company s reporting dates. The warrants were exercisable immediately after grant and expire five years thereafter. The fair market value of the warrants, at the date of issuance, granted to the accredited investors and co-placement agents, based on the Black-Scholes valuation model, is estimated to be $0.52 per warrant and $0.58 per warrant, respectively. As a result of the Convertible Preferred Stock Series B financing and the down-round provision, the Common Stock warrants and placement agent warrants were reissued to purchase 8.8 million shares of Common Stock at an exercise price of $0.60 per share.

The Successor Company recognizes these warrants as a liability at the fair value on each reporting date due to the down-round price protection provision. The Company measured the fair value of these warrants as of September 30, 2010, and recorded warrant income of $1.3 million resulting from the decrease in the liability associated with the fair value of the warrants for the three months ended September 30, 2010. The Company computed the value of the warrants using the Black-Scholes method. The fair value of the warrants will continue to be classified as a liability until such time as the warrants are exercised, expire or an amendment of the warrant agreements renders these warrants to be no longer classified as a liability.

The weighted average fair market value of the warrants was computed using the Black-Scholes option-pricing model with the following key assumptions as of the date indicated:

	September 30, 2010
Expected life (years)	4.5 years
Interest rate	1.1%
Dividend yield	
Volatility	63%

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Rollforward of warrant liability from December 31, 2009 through September 30, 2010:

	December 31, 2009	Additions	Revaluation	September 30, 2010
Preferred stock class A warrants	$ 275,378	$	$ 68,565	$ 343,943
Preferred stock class B warrants	207,611		136,332	343,943
Preferred stock co-placement warrants	152,287		(14,710)	137,577
Common stock warrants		2,654,752	(453,877)	2,200,875
Common stock placement warrants		235,958	(101,211)	134,747
Preferred stock series B warrants		2,466,374	(1,100,968)	1,365,406
Preferred stock series B co-placement warrants		222,235	(94,888)	127,347
Total	$ 635,276	$ 5,579,319	$ (1,560,757)	$ 4,653,838

Warrant liability is comprised of the following as of September 30, 2010:

	Number of Warrants	Successor Fair Value of Warrants	Balance as of September 30, 2010
Preferred stock class A warrants	1,354,164	$ 0.25	$ 343,943
Preferred stock class B warrants	1,354,164	0.25	343,943
Preferred stock co-placement warrants	541,667	0.25	137,577
Common stock warrants	8,291,885	0.27	2,200,875
Common stock placement warrants	507,666	0.27	134,747
Preferred stock series B warrants	5,711,666	0.24	1,365,406
Preferred stock series B co-placement warrants	456,934	0.28	127,347
Total	18,218,146		$ 4,653,838

Warrant liability is comprised of the following as of December 31, 2009:

	Number of Warrants	Successor Fair Value of Warrants	Balance as of December 31, 2009
Preferred stock class A warrants	501,543	$ 0.55	$ 275,378
Preferred stock class B warrants	416,667	0.50	207,611
Preferred stock co-placement warrants	250,000	0.61	152,287
Total	1,168,210		$ 635,276

Note 11 Equity-based Compensation

Total stock-based compensation expense recognized in the three and nine months ended September 30, 2010, using the straight-line attribution method in the consolidated statement of operations is as follows:

	Successor Three months ended September 30, 2010	Successor Nine months ended September 30, 2010
Stock option compensation expense for employees and directors	$ 183,231	$ 729,619
Restricted stock expense	18,000	54,000
Equity awards for nonemployees issued for services	7,724	59,321
Total stock-based compensation expense	$ 208,955	$ 842,940

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Total stock-based compensation expense recognized in the one month ended September 30, 2009 (successor) and the eight months ending August 31, 2009 (Predecessor) using the straight-line attribution method in the consolidated statement of operations is as follows:

	Successor	Predecessor
	One month ended September 30, 2009	Eight months ended August 31, 2009
Stock option compensation expense for employees and directors	$ 286,622	$ 581,707
Restricted stock expense	150,000	
Equity awards for nonemployees issued for services	308,994	1,746
Total stock-based compensation expense	$ 745,616	$ 583,453

On February 23, 2010, modifications were made to all fiscal year 2009 grants for directors and employees. The modifications provided for all options granted under the 2009 Plan in fiscal year 2009 to extend to a ten year term and allowed Directors to extend the exercise period after departure to one year. As a result of the modifications, the Successor Company recognized incremental compensation cost of $163,445 in the nine months ended September 30, 2010.

On February 1, 2010, the Successor Company granted options to purchase 1,650,000 shares of common stock to the chief executive officer. The weighted average fair market value using the Black-Scholes option-pricing model of these options granted was $0.63.

On April 1, 2010 and June 16, 2010, the Successor Company granted options to purchase 800,000 shares of common stock to a director and consultants. The weighted average fair market value using the Black-Scholes option-pricing model of these options granted was $0.46.

During the three months ended September 30, 2010, the Successor Company granted 720,000 shares of common stock to directors and consultant. The weighted average fair value using the Black-Scholes option-pricing model of these options granted was $0.34. The fair market value of the stock options at the date of grant was estimated using the Black-Scholes option-pricing model with the following weighted average assumptions:

	Successor Three Months Ended September 30, 2010
Expected life (years)	4.9 years
Interest rate	1.5%
Dividend yield	
Volatility	63%

There were no stock options exercised during the three and nine months ended September 30, 2010.

The total fair value of shares vested during the third quarter 2010 was $0.2 million. As of September 30, 2010, there was $0.9 million of total unrecognized compensation cost, related to non-vested stock options which vest over time. That cost is expected to be recognized over a weighted-average period of 2.2 years. As of September 30, 2010, there was $0.3 million of total unrecognized compensation expense related to performance-based, non-vested employee and consultant stock options. That cost will be recognized when the performance criteria within the respective performance-based option grants become probable of achievement.

Restricted stock

As of September 30, 2010, there was $0.1 million of total unrecognized compensation cost related to non-vested restricted stock that is expected to be recognized over a weighted-average period of 0.9 years.

Predecessor Company

Prior to September 3, 2009, the Predecessor Company maintained stock-based incentive compensation plans for employees and directors of the Company. On the Effective Date, the following stock option plans were terminated (and any and all awards granted under such plans were terminated and will no longer be of any force or effect): (1) the 2001 Stock Option and Appreciation Rights Plan, (2) the 2003 Stock Option and Appreciation Rights Plan, and (3) the 2005 Stock Option and Appreciation Rights Plan.

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Note 12 Segment Information and Geographical information

The Successor Company has two reportable segments: Fibrocell Therapy and Agera. The Fibrocell Therapy segment specializes in the development and commercialization of autologous cellular therapies for soft tissue regeneration. The Agera segment maintains proprietary rights to a scientifically-based advanced line of skincare products. There is no intersegment revenue. The following table provides operating financial information for the continuing operations of the Successor Company s two reportable segments:

	Segment Successor Fibrocell Therapy	Agera	Successor Consolidated
Three Months Ended September 30, 2010			
Total operating revenue	$	$ 243,677	$ 243,677
Segment loss from continuing operations	$ (1,816,681)	$ 24,210	$ (1,792,471)
Supplemental information related to continuing operations			
Depreciation and amortization expense	$ 2,472	$	$ 2,472

	Segment Successor Fibrocell Therapy	Agera	Successor Consolidated
Nine Months Ended September 30, 2010			
Total operating revenue	$	$ 716,809	$ 716,809
Segment income (loss) from continuing operations	$ (8,219,599)	$ 13,722	$ (8,205,877)
Supplemental information related to continuing operations			
Depreciation and amortization expense	$ 5,612	$	$ 5,612
Total assets as of September 30, 2010	7,030,849	589,085	7,619,934
Property and equipment, net	24,062		24,062
Intangible assets	6,340,656		6,340,656

An intercompany receivable as of September 30, 2010, of $0.9 million, due from the Agera segment to the Fibrocell Therapy segment, is eliminated in consolidation. This intercompany receivable is primarily due to the intercompany management fee charge to Agera by Fibrocell Technologies, as well as Agera working capital needs provided by Fibrocell Technologies, and has been excluded from total assets of the Fibrocell Therapy segment in the above table. There is no intersegment revenue. Total assets on the consolidated balance sheet at September 30, 2010 are approximately $7.6 million.

	Segment Predecessor Isolagen Therapy	Agera	Predecessor Consolidated
One Month Ended September 30, 2009			
Total operating revenue	$	$ 75,029	$ 75,029
Segment loss from continuing operations	$ (1,953,067)	$ (11,923)	$ (1,964,990)

Two Months Ended August 31, 2009	Segment Predecessor Isolagen Therapy	Agera	Predecessor Consolidated
Total operating revenue	$	$ 130,740	$ 130,740
Segment income from continuing operations	$ 71,465,993	$ 474,740	$ 71,940,733

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Eight Months Ended August 31, 2009	Segment Predecessor Isolagen Therapy	Agera	Predecessor Consolidated
Total operating revenue	$	$ 538,620	$ 538,620
Segment loss from continuing operations	$ 65,498,934	$ 381,306	$ 65,880,240
Supplemental information related to continuing operations			
Depreciation and amortization expense	$	$	$
Total assets as of September 30, 2009	7,886,894	592,746	8,479,640
Property and equipment, net			
Intangible assets, net			

An intercompany receivable as of September 30, 2009, of $1.0 million, due from the Agera segment to the Fibrocell Therapy segment, is eliminated in consolidation. This intercompany receivable is primarily due to the intercompany management fee charge to Agera by Fibrocell Technologies, Inc., as well as Agera working capital needs provided by Fibrocell Technologies, Inc., and has been excluded from total assets of the Fibrocell Therapy segment in the above table. There is no intersegment revenue. Total assets on the consolidated balance sheet at September 30, 2009 are approximately $8.5 million, which includes assets of discontinued operations of less than $0.1 million.

Geographical information concerning the Successor Company s and Predecessor Company s operations and assets are as follows:

	Revenue Successor Three months ended September 30, 2010	Revenue Successor One month ended September 30, 2009	Revenue Predecessor Two months ended August 31, 2009
United States	$ 54,367	$ 16,259	$ 40,656
United Kingdom	181,931	58,567	84,134
Other	7,379	203	5,950
	$ 243,677	$ 75,029	$ 130,740

	Revenue Successor Nine months ended September 30, 2010	Revenue Successor One month ended September 30, 2009	Revenue Predecessor Eight months ended September 30, 2009
United States	$ 176,215	$ 16,259	$ 187,289
United Kingdom	472,721	58,567	308,244
Other	67,873	203	43,087

$ 716,809	$ 75,029	$ 538,620

During the three months ended September 30, 2010, revenue from one foreign customer and one domestic customer represented 75% and 15% of consolidated revenue, respectively. During the one month ended September 30, 2009, revenue from one foreign customer and one domestic customer represented 78% and 17% of consolidated revenue, respectively. During the two months ended August 31, 2009 revenue from one foreign customer and one domestic customer represented 64% and 20% of consolidated revenue, respectively.

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During the nine months ended September 30, 2010, revenue from one foreign customer and one domestic customer represented 73% and 17% of consolidated revenue, respectively. During the one month ended September 30, 2009, revenue from one foreign customer and one domestic customer represented 78% and 17% of consolidated revenue, respectively. During the eight months ended August 31, 2009, revenue from one foreign customer and one domestic customer represented 57% and 23% of consolidated revenue, respectively.

As of September 30, 2010 and December 31, 2009, one foreign customer represented 89% and 87%, respectively, of accounts receivable, net.

Note 13 Subsequent Events

The Successor Company has also raised approximately $1.0 million less fees as the result of the issuance of preferred stock and warrants in the period from October 1, 2010 to November 12, 2010.

Viriathus Capital LLC and John Carris Investments LLC were co-placement agents for the Transactions, and will receive cash compensation of $71,040 and warrants to purchase 118,400 shares of Common Stock at an exercise price of $0.60 per share (assuming all subscription proceeds are received in the Transactions).

The Company announced on November 3, 2010, that it has signed an agreement to establish a joint venture (JV) with Hefei Meifu Bio-Tech Limited Co. (Meifu) for developing and marketing autologous fibroblast therapies in Asia, excluding Japan. The JV will be called Fibrocell Science Asia Co. Ltd.

Under the terms of the agreement, Fibrocell will provide access to its intellectual property, clinical data and manufacturing processes. Meifu will be responsible for all costs associated with construction and operation of a manufacturing facility in Hefei and commercialization, as well as all ongoing operational, research and development expenses.

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ITEM 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The following discussion and analysis should be read in conjunction with our consolidated financial statements, including the notes thereto.

Forward-Looking Information

This report contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, as well as information relating to Fibrocell that is based on management s exercise of business judgment and assumptions made by and information currently available to management. When used in this document and other documents, releases and reports released by us, the words anticipate, believe, estimate, expect, intend, the facts suggest and words of s import, are intended to identify any forward-looking statements. You should not place undue reliance on these forward-looking statements. These statements reflect our current view of future events and are subject to certain risks and uncertainties as noted below. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, our actual results could differ materially from those anticipated in these forward-looking statements. Actual events, transactions and results may materially differ from the anticipated events, transactions or results described in such statements. Although we believe that our expectations are based on reasonable assumptions, we can give no assurance that our expectations will materialize. Many factors could cause actual results to differ materially from our forward looking statements. Several of these factors include, without limitation:

our ability to finance our business and continue in operations;

whether the results of our full Phase III pivotal study and our BLA filing will result in approval of our product candidate, and whether any approval will occur on a timely basis;

our ability to meet requisite regulations or receive regulatory approvals in the United States, Europe, Asia and the Americas, and our ability to retain any regulatory approvals that we may obtain; and the absence of adverse regulatory developments in the United States, Europe, Asia and the Americas or any other country where we plan to conduct commercial operations;

whether our clinical human trials relating to the use of autologous cellular therapy applications, and such other indications as we may identify and pursue can be conducted within the timeframe that we expect, whether such trials will yield positive results, or whether additional applications for the commercialization of autologous cellular therapy can be identified by us and advanced into human clinical trials;

our ability to develop autologous cellular therapies that have specific applications in cosmetic dermatology, and our ability to explore (and possibly develop) applications for periodontal disease, reconstructive dentistry, treatment of restrictive scars and burns and other health-related markets;

our ability to decrease our manufacturing costs for our Fibrocell Therapy product candidates through the improvement of our manufacturing process, and our ability to validate any such improvements with the relevant regulatory agencies;

our ability to reduce our need for fetal bovine calf serum by improved use of less expensive media combinations and different media alternatives;

continued availability of supplies at satisfactory prices;

new entrance of competitive products or further penetration of existing products in our markets;

the effect on us from adverse publicity related to our products or the company itself;

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any adverse claims relating to our intellectual property;
the adoption of new, or changes in, accounting principles;
our issuance of certain rights to our shareholders that may have anti-takeover effects;
our dependence on physicians to correctly follow our established protocols for the safe administration of our Fibrocell Therapy; and
other risks referenced from time to time elsewhere in this prospectus and in our filings with the SEC.

These factors are not necessarily all of the important factors that could cause actual results of operations to differ materially from those expressed in these forward-looking statements. Other unknown or unpredictable factors also could have material adverse effects on our future results. We undertake no obligation and do not intend to update, revise or otherwise publicly release any revisions to these forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of any unanticipated events. We cannot assure you that projected results will be achieved.

Overview

We are an aesthetic and therapeutic development stage biotechnology company focused on developing novel skin and tissue rejuvenation products. Our clinical development product candidates are designed to improve the appearance of skin injured by the effects of aging, sun exposure, acne and burn scars with a patient s own, or autologous, fibroblast cells produced by our proprietary Fibrocell process. Our clinical development programs encompass both aesthetic and therapeutic indications. Our most advanced indication is for the treatment of nasolabial folds wrinkles (United States adopted name, or USAN, is azficel-T) and has completed Phase III clinical studies, and the related Biologics License Application, or BLA, has been submitted to the Food and Drug Administration, or FDA. In October 2009, the FDA s Cellular, Tissue and Gene Therapies Advisory Committee reviewed this indication. On December 21, 2009, Fibrocell received a Complete Response letter from the FDA related to the BLA for azficel-T, an autologous cell therapy for the treatment of moderate to severe nasolabial fold wrinkles in adults. A Complete Response letter is issued by the FDA s Center for Biologics Evaluation and Research (CBER) when the review of a file is completed and additional data are needed prior to approval. The Complete Response letter requested that Fibrocell Science provide data from a histopathological study on biopsied tissue samples from patients following injection of azficel-T. The histology study (IT-H-001) will evaluate tissue treated with azficel-T as compared to tissue treated with sterile saline (placebo). The study will also provide information about the skin after treatment, including evaluation of collagen and elastin fibrils, and cellular structure of the sampled tissues. The Company submitted a proposed protocol concerning a histopathological study on biopsied samples to the FDA and to the Company s Investigational Review Board (IRB). The IRB has approved the protocol and the Company received the comments from the FDA on the protocol in May 2010.

On May 13, 2010, the Company announced the initiation of a small histology study of azficel-T, an autologous cell therapy currently under review by the U.S. Food and Drug Administration (FDA) for the treatment of moderate to severe nasolabial fold wrinkles. The study has a target enrollment of approximately 20 participants from the completed and statistically significant pivotal Phase III studies of azficel-T (IT-R-005 and IT-R-006). The Company announced on July 8, 2010, the completion of enrollment of and first treatment visits for participants in its histology study of azficel-T. The second treatment visits for participants enrolled in the histology study of azficel-T were completed by the end of July. The third treatment visits for participants enrolled in the histology study of azficel-T were completed by the end of August.

The Complete Response letter also requested finalized Chemistry, Manufacturing and Controls (CMC) information regarding the manufacture of azficel-T as follow-up to discussions that occurred during the BLA review period, as well as revised policies and procedures.

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The Company anticipates filing its response to the FDA s Complete Response letter by the end of 2010. There is no assurance that the FDA will accept the Company s response as it may find that the Company s response does not provide sufficient information to address its Complete Response letter. Even if the FDA accepts the Company s response for complete evaluation, there is no assurance that it will approve our product. The FDA, under the Prescription Drug User Fee Act (PDUFA), has a target six months review window to completely evaluate the Company s response upon acceptance of the response.

During 2009 we completed a Phase II/III study for the treatment of acne scars. During 2008 we completed our open-label Phase II study related to full face rejuvenation.

We also develop and market an advanced skin care product line through our Agera subsidiary, in which we acquired a 57% interest in August 2006.

Exit from Bankruptcy

On August 27, 2009, the United States Bankruptcy Court for the District of Delaware in Wilmington entered an order, or Confirmation Order, confirming the Joint First Amended Plan of Reorganization dated July 30, 2009, as supplemented by the Plan Supplement dated August 21, 2009, or the Plan, of Isolagen, Inc. and Isolagen s wholly owned subsidiary, Isolagen Technologies, Inc. The effective date of the Plan was September 3, 2009. Isolagen, Inc. and Isolagen Technologies, Inc. were subsequently renamed Fibrocell Science, Inc. and Fibrocell Technologies, Inc., respectively.

Pursuant to the Plan, all our equity interests, including without limitation our common stock, options and warrants outstanding as of the effective date were cancelled. On the effective date, we completed an exit financing of common stock in the amount of $2 million, after which the equity holders of our Successor Company were:

7,320,000 shares, to our pre-bankruptcy lenders and the lenders that provided us our debtor-in-possession facility, collectively;

3,960,000 shares, to the holders of our 3.5% convertible subordinated notes;

600,000 shares, to our management as of the effective date, which was our chief operating officer;

120,000 shares, to the holders of our general unsecured claims; and

2,666,666 shares, to the purchasers of shares in the $2 million exit financing (our pre-bankruptcy _____ lenders, the lenders that provided us our debtor-in-possession facility and the holders of our 3.5% convertible subordinated notes were permitted to participate in our exit financing).

In the Plan, in addition to the common stock set forth above, each holder of Isolagen s 3.5% convertible subordinated notes, due November 2024, in the approximate non-converted aggregate principal amount of $81 million, received, in full and final satisfaction, settlement, release and discharge of and in exchange for any and all claims arising out of the 3.5% convertible subordinated notes, its *pro rata* share of an unsecured note in the principal amount of $6 million, or the Notes. The Notes have the following features:

12.5% interest payable quarterly in cash or, at our option, 15% payable in kind by capitalizing such unpaid amount and adding it to the principal as of the date it was due;

matures June 1, 2012;

at any time prior to the maturity date, we may redeem any portion of the outstanding principal of the Notes in cash at 125% of the stated face value of the Notes; provided that we will be obligated to redeem all outstanding Notes upon the following events: (a) we or our subsidiary, Fibrocell Technologies, Inc. (formerly, Isolagen Technologies, Inc.) successfully complete a capital campaign raising in excess of $10,000,000; or (b) we or our subsidiary, Fibrocell Technologies, Inc., are acquired by, or sell a majority stake to, an outside party;

the Notes contain customary representations, warranties and covenants, including a covenant that we and our subsidiary, Fibrocell Technologies, Inc., shall be prohibited from the incurrence of additional debt without obtaining the consent of 66 2/3% of the Note holders.

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Going Concern

The Successor Company emerged from Bankruptcy in September 2009 and continues to operate as a going concern. At September 30, 2010, the Successor Company had cash and cash equivalents of approximately $0.2 million and negative working capital of $1.1 million. In early July 2010, the Successor Company raised approximately $2.7 million less fees as a result of the issuance of preferred stock and warrants. In early September 2010, the Successor Company raised approximately $0.7 million less fees as a result of the issuance of preferred stock and warrants. The Successor Company has also raised approximately $1.0 million less fees as the result of the issuance of preferred stock and warrants in the period from October 1, 2010 to November 12, 2010.

The Company has not yet received $0.7 million in subscription proceeds from the above raises. Although the Company believes that these outstanding funds will be received, there is no guarantee that these funds will be received.

As of November 12, 2010, the Company had cash and cash equivalents of approximately $0.2 million and liabilities of approximately $1.6 million. Thus, the Successor Company will require to raise additional cash resources in the very near future, or it will likely cease operations. The Successor Company will need to access the capital markets in the future in order to fund future operations. There is no guarantee that any such required financing will be available on terms satisfactory to the Successor Company or available at all. These matters create uncertainty relating to its ability to continue as a going concern. The accompanying consolidated financial statements do not reflect any adjustments relating to the recoverability and classification of assets or liabilities that might result from the outcome of these uncertainties.

Further, if the Successor Company raises additional cash resources in the very near future, it may be raised in contemplation of or in connection with bankruptcy. In the event of a bankruptcy, it is likely that its common stock and common stock equivalents will become worthless and our creditors will receive significantly less than what is owed to them.

Through September 30, 2010, the Successor Company has been primarily engaged in developing its initial product technology. In the course of its development activities, the Company has sustained losses and expects such losses to continue through at least 2010. During the nine months ended September 30, 2010, the Successor Company financed its operations primarily through its existing cash, but as discussed above it now requires additional financing. There is substantial doubt about the Successor Company s ability to continue as a going concern.

The Successor Company s ability to complete additional offerings is dependent on the state of the debt and/or equity markets at the time of any proposed offering, and such market s reception of the Successor Company and the offering terms. The Successor Company s ability to complete an offering is also dependent on the status of its FDA regulatory milestones and its clinical trials, and in particular, the status of its indication for the treatment of nasolabial fold wrinkles and the status of the related BLA, which cannot be predicted. There is no assurance that capital in any form would be available to the Company, and if available, on terms and conditions that are acceptable.

As a result of the conditions discussed above, and in accordance with GAAP, there exists substantial doubt about the Successor Company s ability to continue as a going concern, and its ability to continue as a going concern is contingent, among other things, upon its ability to secure additional adequate financing or capital in the very near future. If the Successor Company does not obtain additional funding, or does not anticipate additional funding, in the very near future, it will likely enter into bankruptcy and/or cease operations. Further, if it does raise additional cash resources in the very near future, it may be raised in contemplation of or in connection with bankruptcy. If the Successor Company enters into bankruptcy, it is likely that its common stock and common stock equivalents will become worthless and its creditors, including preferred stock, will receive significantly less than what is owed to them.

Clinical Development Programs

Our product development programs are focused on the aesthetic and therapeutic markets. These programs are supported by a number of clinical trial programs at various stages of development.

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Our aesthetics development programs include product candidates to treat targeted areas or wrinkles and to provide full-face rejuvenation that includes the improvement of fine lines, wrinkles, skin texture and appearance. Our therapeutic development programs are designed to treat acne scars, restrictive burn scars and dental papillary recession. All of our product candidates are non-surgical and minimally invasive. Although the discussions below may include estimates of when we expect trials to be completed, the prediction of when a clinical trial will be completed is subject to a number of factors and uncertainties. Also, please refer to Part I, Item 1A of our Form 10-K for the year ended December 31, 2009, for a discussion of certain of our risk factors related to our clinical development programs, as well as other risk factors related to our business.

Aesthetic Development Programs

Nasolabial Fold Wrinkles *Phase III Trials*: In October 2006, we reached an agreement with the FDA, on the design of a Phase III pivotal study protocol for the treatment of nasolabial fold wrinkles (lines which run from the sides of the nose to the corners of the mouth). The randomized, double-blind protocol was submitted to the FDA under the agency s Special Protocol Assessment, or SPA. Pursuant to this assessment process, the FDA has agreed that our study design for two identical trials, including subject numbers, clinical endpoints, and statistical analyses, is adequate to provide the necessary data that, depending on the outcome, could form the basis of an efficacy claim for a marketing application. The pivotal Phase III trials evaluated the efficacy and safety of our Fibrocell therapy (USAN name azficel-T) against placebo in approximately 400 subjects total with approximately 200 subjects enrolled in each trial. The injections were completed in January 2008 and the trial data results were disclosed in October 2008. The Phase III trial data results indicated statistically significant efficacy results for the treatment of nasolabial fold wrinkles. The Phase III data analysis, including safety results, was disclosed in October 2008. We submitted the related BLA to the FDA in March 2009. In May 2009, the FDA accepted our BLA submission for filing. On October 9, 2009, the FDA s Cellular, Tissue and Gene Therapies Advisory Committee reviewed azficel-T. The committee voted 11 yes to 3 no that the data presented on azficel-T demonstrated efficacy, and 6 yes to 8 no that the data demonstrated safety, both for the proposed indication. The Committee s recommendations are not binding on the FDA, but the FDA will consider their recommendations during their review of our application. On December 21, 2009, Fibrocell Science received a Complete Response letter from the FDA related to the BLA for azficel-T. A Complete Response letter is issued by the FDA s Center for Biologics Evaluation and Research (CBER) when the review of a file is completed and additional data are needed prior to approval. The Complete Response letter requested that Fibrocell Science provide data from a histopathological study on biopsied tissue samples from patients following injection of azficel-T. The histology study (IT-H-001) will evaluate tissue treated with azficel-T as compared to tissue treated with sterile saline (placebo). The study will also provide information about the skin after treatment, including evaluation of collagen and elastin fibrils, and cellular structure of the sampled tissues. The Company submitted a proposed protocol concerning a histopathological study on biopsied samples to the FDA and to the Company s Investigational Review Board (IRB). The IRB has approved the protocol and the Company received the comments from the FDA on the protocol in May 2010. The Company submitted a proposed protocol concerning a histopathological study on biopsied samples to the FDA and to the Company s Investigational Review Board (IRB). The IRB has approved the protocol and the Company received the comments from the FDA on the protocol in May 2010.

On May 13, 2010, the Company announced the initiation of a small histology study (IT-H-001) of azficel-T, an autologous cell therapy currently under review by the U.S. Food and Drug Administration (FDA) for the treatment of moderate to severe nasolabial fold wrinkles. The study has a target enrollment of approximately 20 participants from the completed and statistically significant pivotal Phase III studies of azficel-T (IT-R-005 and IT-R-006). The Company announced on July 8, 2010, the completion of enrollment of and first treatment visits for participants in its histology study of azficel-T. The second treatment visits for participants enrolled in the histology study of azficel-T were completed by the end of July. The third treatment visits for participants enrolled in the histology study of azficel-T were completed by the end of August.

The Complete Response letter also requested finalized Chemistry, Manufacturing and Controls (CMC) information regarding the manufacture of azficel-T as follow-up to discussions that occurred during the BLA review period, as well as revised policies and procedures regarding shipping practices, and proposed labeling. The Company is currently working on obtaining the finalized CMC information for the FDA as well as the revised policies and procedures

regarding shipping practices and the proposed labeling.

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The Company anticipates filing its response to the FDA s Complete Response letter by the end of 2010. There is no assurance that the FDA will accept the Company s response as it may find that the Company s response does not provide sufficient information to address its Complete Response letter. Even if the FDA accepts the Company s response for complete evaluation, there is no assurance that it will approve our product. The FDA, under the Prescription Drug User Fee Act (PDUFA), has a target six months review window to completely evaluate the Company s response upon acceptance of the response.

The United States Adopted Names (USAN) Council adopted the USAN name, azficel-T, on October 28, 2009, and the FDA is currently evaluating a proposed brand name, Laviv .

Full Face Rejuvenation *Phase II Trial:* In March 2007, the Predecessor Company commenced an open label (unblinded) trial of approximately 50 subjects. Injections of azficel-T began to be administered in July 2007. This trial was designed to further evaluate the safety and use of azficel-T to treat fine lines and wrinkles for the full face. Five investigators across the United States participated in this trial. The subjects received two series of injections approximately one month apart. In late December 2007, all 45 remaining subjects completed injections. The subjects were followed for twelve months following each subject s last injection. Data results related to this trial were disclosed in August 2008, which included top line positive efficacy results related to this open label Phase II trial.

Additional safety data from this trial, collected through telephone calls placed to participating subjects twelve months from the date of their final study treatment, were submitted to the FDA on November 1, 2009. No changes to the safety profile of azficel-T were identified during our review of this data.

Therapeutic Development Programs

Acne Scars *Phase II/III Trial:* In November 2007, the Predecessor Company commenced an acne scar Phase II/III study. This study included approximately 95 subjects. This placebo controlled trial was designed to evaluate the use of azficel-T to correct or improve the appearance of acne scars. Each subject served as their own control, receiving azficel-T on one side of their face and placebo on the other. The subjects received three treatments two weeks apart. The follow-up and evaluation period was completed four months after each subject s last injection. In March 2009, the Predecessor Company disclosed certain trial data results, which included statistically significant efficacy results for the treatment of moderate to severe acne scars. Compilation of safety data and data related to the validation of the study photo guide assessment scale discussed below is ongoing and is also subject to additional financing.

In connection with this acne scar program, the Predecessor Company developed a photo guide for use in the evaluators assessment of acne study subjects. The Predecessor Company had originally designed the acne scar clinical program as two randomized, double-blind, Phase III, placebo-controlled trials. However, our evaluator assessment scale and photo guide have not previously been utilized in a clinical trial. In November 2007, the FDA recommended that the Predecessor Company consider conducting a Phase II study in order to address certain study issues, including additional validation related to our evaluator assessment scale. As such, the Predecessor Company modified our clinical plans to initiate a single Phase II/III trial. This Phase II/III study, was powered to demonstrate efficacy, and has allowed for a closer assessment of the evaluator assessment scale and photo guide that is ongoing. The Successor Company submitted on August 9, 2010, a clinical study report for its Phase II/III study of azficel-T for the treatment of moderate to severe acne scars to the FDA. The next step is to initiate a discussion with the FDA concerning the validation of the evaluator assessment scale and agree the path forward. These steps will be subject to obtaining sufficient financial resources.

Restrictive Burn Scars *Phase II Trial:* In January 2007, the Predecessor Company met with the FDA to discuss our clinical program for the use of azficel-T for restrictive burn scar patients. This Phase II trial would evaluate the use of azficel-T to improve range of motion, function and flexibility, among other parameters, in existing restrictive burn scars in approximately 20 patients. However, the Predecessor Company delayed the screening and enrollment in this trial until such time as we raise sufficient additional financing and gather additional data regarding the burn scar market.

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Dental Study *Phase II Trial:* In late 2003, the Predecessor Company completed a Phase I clinical trial for the treatment of condition relating to periodontal disease, specifically to treat Interdental Papillary Insufficiency. In the second quarter of 2005, the Predecessor Company concluded the Phase II dental clinical trial with the use of azficel-T and subsequently announced that investigator and subject visual analog scale assessments demonstrated that the azficel-T was statistically superior to placebo at four months after treatment. Although results of the investigator and subject assessment demonstrated that the azficel-T was statistically superior to placebo, an analysis of objective linear measurements did not yield statistically significant results.

In 2006, the Predecessor Company commenced a Phase II open-label dental trial for the treatment of Interdental Papillary Insufficiency. This single site study included 11 subjects. All study treatment and follow up visits were completed, but full analysis of the study was previously placed on internal hold due to our financial resource constraints. The Company is also currently reviewing potential other clinical paths in the dental arena.

Agera Skincare Systems

The Successor Company markets and sells a skin care product line through our majority-owned subsidiary, Agera Laboratories, Inc., which the Predecessor Company acquired in August 2006. Agera offers a complete line of skincare systems based on a wide array of proprietary formulations, trademarks and nano-peptide technology. These skincare products can be packaged to offer anti-aging, anti-pigmentary and acne treatment systems. Agera primarily markets its products in both the United States and Europe (primarily the United Kingdom).

Critical Accounting Policies

The following discussion and analysis of financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in conformity with accounting principles generally accepted in the United States of America. However, certain accounting policies and estimates are particularly important to the understanding of our financial position and results of operations and require the application of significant judgment by our management or can be materially affected by changes from period to period in economic factors or conditions that are outside of the control of management. As a result, they are subject to an inherent degree of uncertainty. In applying these policies, our management uses their judgment to determine the appropriate assumptions to be used in the determination of certain estimates. Those estimates are based on our historical operations, our future business plans and projected financial results, the terms of existing contracts, our observance of trends in the industry, information provided by our customers and information available from other outside sources, as appropriate. The following discusses our critical accounting policies and estimates.

Intangible assets: Intangible assets are research and development assets related to the Successor Company s primary study that was recognized upon emergence from bankruptcy (see Note 5). Intangibles are tested for recoverability whenever events or changes in circumstances indicate the carrying amount may not be recoverable. An impairment loss, if any, would be measured as the excess of the carrying value over the fair value determined by discounted cash flows. There was no impairment of the intangible assets as of September 30, 2010.

Warrant Liability: The warrants for the Successor Company are measured at fair value and liability-classified under ASC 815, Derivatives and Hedging, (ASC 815) because the warrants contain down-round protection and therefore, do not meet the scope exception for treatment as a derivative under ASC 815. Since down-round protection is not an input into the calculation of the fair value of the warrants, the warrants cannot be considered indexed to the Company s own stock which is a requirement for the scope exception as outlined under ASC 815. The fair value of the warrants is determined using the Black-Scholes option pricing model and is affected by changes in inputs to that model including our stock price, expected stock price volatility, the contractual term, and the risk-free interest rate. We will continue to classify the fair value of the warrants as a liability until the warrants are exercised, expire or are amended in a way that would no longer require these warrants to be classified as a liability.

Stock-Based Compensation: We account for stock-based awards to employees and non-employees using the fair value based method to determine compensation for all arrangements where shares of stock or equity instruments are issued for compensation. We use a Black-Scholes options-pricing model to determine the fair value of each option grant as of the date of grant for expense incurred. The Black-Scholes model requires inputs for risk-free interest rate, dividend yield, volatility and expected lives of the options. Expected volatility is based on historical volatility of our competitor s stock since the Predecessor Company ceased trading as part of the bankruptcy and emerged as a new

entity. 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 the grant. The expected lives for options granted represents the period of time that options granted are expected to be outstanding and is derived from the contractual terms of the options granted. We estimate future forfeitures of options based upon expected forfeiture rates.

Income taxes: An asset and liability approach is used for financial accounting and reporting for income taxes. Deferred income taxes arise from temporary differences between income tax and financial reporting and principally relate to recognition of revenue and expenses in different periods for financial and tax accounting purposes and are measured using currently enacted tax rates and laws. In addition, a deferred tax asset can be generated by net operating loss (NOLs) carryover. If it is more likely than not that some portion or all of a deferred tax asset will not be realized, a valuation allowance is recognized.

In the event the Company is charged interest or penalties related to income tax matters, the Company would record such interest as interest expense and would record such penalties as other expense in the consolidated statements of operations. No such charges have been incurred by the Company. As of September 30, 2010 and December 31, 2009, the Successor Company had no accrued interest related to uncertain tax positions.

At September 30, 2010 and December 31, 2009, the Company has provided a full valuation allowance for the net deferred tax assets, the large majority of which relates to the future benefit of loss carryovers. In addition, as a result of fresh-start accounting, the Successor Company may be limited by section 382 of the Internal Revenue Service Code. The tax years 2006 through 2009 remain open to examination by the major taxing jurisdictions to which we are subject. The deferred tax liability at September 30, 2010 and December 31, 2009, relates to the intangible assets recognized upon fresh-start accounting.

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Research and Development Expenses: Research and development costs are expensed as incurred and include salaries and benefits, costs paid to third-party contractors to perform research, conduct clinical trials, develop and manufacture drug materials and delivery devices, and a portion of facilities cost. Clinical trial costs are a significant component of research and development expenses and include costs associated with third-party contractors. Invoicing from third-party contractors for services performed can lag several months. We accrue the costs of services rendered in connection with third-party contractor activities based on our estimate of management fees, site management and monitoring costs and data management costs. Actual clinical trial costs may differ from estimated clinical trial costs and are adjusted for in the period in which they become known.

Recently Issued Accounting Pronouncements

In October 2009, the FASB issued ASU No. 2009-13, Multiple-Deliverable Revenue Arrangements, or ASU 2009-13. ASU 2009-13, amends existing revenue recognition accounting pronouncements that are currently within the scope of FASB ASC Topic 605. This consensus provides accounting principles and application guidance on how the arrangement should be separated, and the consideration allocated. This guidance changes how to determine the fair value of undelivered products and services for separate revenue recognition. Allocation of consideration is now based on management s estimate of the selling price for an undelivered item where there is no other means to determine the fair value of that undelivered item. This new approach is effective prospectively for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010. We are currently evaluating the guidance to determine the impact on the Company s results of operations, cash flows, and financial position.

In March 2010, the FASB ratified ASU 2010-17, *Milestone Method of Revenue Recognition,* that the milestone method is a valid application of the proportional performance model for revenue recognition if the milestones are substantive and there is substantive uncertainty about whether the milestones will be achieved. The Task Force agreed that whether a milestone is substantive is a judgment that should be made at the inception of the arrangement. To meet the definition of a substantive milestone, the consideration earned by achieving the milestone (1) would have to be commensurate with either the level of effort required to achieve the milestone or the enhancement in the value of the item delivered, (2) would have to relate solely to past performance, and (3) should be reasonable relative to all deliverables and payment terms in the arrangement. No bifurcation of an individual milestone is allowed and there can be more than one milestone in an arrangement. The new guidance will be effective for interim and annual periods beginning on or after June 15, 2010. We are currently evaluating the guidance to determine the impact on the Company s results of operations, cash flows, and financial position.

Emergence from Voluntary Reorganization Under Chapter 11 Proceedings and Reorganization Plan

Fibrocell emerged from Chapter 11 on September 3, 2009. See Note 1 in the accompanying Consolidated Financial Statements.

Basis of Presentation

As of September 1, 2009, the Successor Company adopted fresh-start accounting in accordance with ASC 852-10, Reorganizations. The Successor Company selected September 1, 2009, as the date to effectively apply fresh-start accounting based on the absence of any material contingencies at the August 27, 2009 confirmation hearing and the immaterial impact of transactions between August 27, 2009 and September 1, 2009. The adoption of fresh-start accounting resulted in the Successor Company becoming a new entity for financial reporting purposes. Accordingly, the financial statements prior to September 1, 2009 are not comparable with the financial statements for periods on or after September 1, 2009. References to Successor or Successor Company refer to the Company on or after September 1, 2009, after giving effect to the cancellation of Isolagen, Inc. common stock issued prior to the Effective Date, the issuance of new Fibrocell Science, Inc. common stock in accordance with the Plan, and the application of fresh-start accounting. References to Predecessor or Predecessor Company refer to the Company prior to September 1, 2009. See Note 5 Fresh Start Accounting in the notes to these Consolidated Financial Statements for further details.

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For discussions on the results of operations, the Successor Company has compared the results of operations for the three and nine months ended September 30, 2010, with the results of operations for the three and nine months ended September 30, 2009. The Successor Company believes that the comparison of the financial results provide management and investors a more meaningful analysis of the Company s performance and trends.

The following discussion should be read in conjunction with the Consolidated Financial Statements and the accompanying Notes to the Consolidated Financial Statements in Part 1, Item 1 of this report.

Results of Operations Comparison of the three months ended September 30, 2010 and 2009

REVENUES. Revenue remained relatively constant at $0.2 million for the three months ended September 30, 2010 and 2009. Our revenue from continuing operations is from the operations of Agera, which we acquired on August 10, 2006. Agera markets and sells a complete line of advanced skin care systems based on a wide array of proprietary formulations, trademarks and non-peptide technology. For the three months ended September 30, 2010 and 2009, 75% and 69%, respectively, of Agera s revenue were to one foreign customer. As such, total revenue is subject to fluctuation depending primarily on the orders received and orders fulfilled with respect to this large customer.

COST OF SALES. Cost of sales decreased approximately $0.2 million to $0.1 million for the three months ended September 30, 2010 as compared to $0.3 million for the three months ended September 30, 2009. Our cost of sales relates to the operation of Agera. As a percentage of revenue, Agera cost of sales was approximately 49% for the three months ended September 30, 2010 and 149% for the three months ended September 30, 2009. The decrease is due to a write off of slow moving and obsolete inventory that occurred during the three months ended September 30, 2009.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Selling, general and administrative expenses decreased by approximately $0.9 million, or 37%, to $1.6 million for the three months ended September 30, 2010 as compared to $2.5 million for the three months ended September 30, 2009. The decrease primarily relates to a $0.9 million decrease in payroll related expenses and $0.1 million decrease in office expenses and promotion expense offset by $0.1 million increase related to consultants for financing and marketing. In the three months ending September 30, 2009, there was a recognition of the balance of the cancelled stock options which had increased the payroll expense.

RESEARCH AND DEVELOPMENT. Research and development expenses increased by approximately $0.2 million, or 19%, to $1.4 million for the three months ended September 30, 2010 as compared to $1.2 million for the three months ended September 30, 2009. The increase primarily relates to a $0.2 million increase in payroll related expenses. Research and development costs are composed primarily of costs related to our efforts to gain FDA approval for our Fibrocell Therapy for specific dermal applications in the United States, as well as costs related to other potential indications for our Fibrocell Therapy, such as acne scars and burn scars. Also, research and development expense includes costs to develop manufacturing, cell collection and logistical process improvements. Research and development costs primarily include personnel and laboratory costs related to these FDA trials and certain consulting costs. The total inception (December 28, 1995) to date cost of research and development as of August 31, 2009 for the Predecessor Company was $56.3 million and total inception (September 1, 2009) to date cost of research and development as of September 30, 2010, for the Successor Company was $5.9 million.

The FDA approval process is extremely complicated and is dependent upon our study protocols and the results of our studies. In the event that the FDA requires additional studies for our product candidate or requires changes in our study protocols or in the event that the results of the studies are not consistent with our expectations, the process will be more expensive and time consuming. Due to the complexities of the FDA approval process, we are unable to predict what the cost of obtaining approval for our dermal product candidate will be.

REORGANIZATION ITEMS, NET. On June 15, 2009, Isolagen, Inc. and its wholly-owned, U.S. subsidiary Isolagen Technologies, Inc., filed voluntary petitions for relief under Chapter 11 of the federal bankruptcy laws in the United States Bankruptcy Court for the District of Delaware, as more fully discussed under Note 1 in the accompanying Consolidated Financial Statements. There were no reorganization costs for the three months ended September 30, 2010 as compared to reorganization gain, net of reorganization costs, of $74.1 million recorded for the three months ended September 30, 2009, which were comprised primarily of legal fees and the unamortized debt acquisition costs and gain on discharge of debt.

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INTEREST EXPENSE. Interest expense decreased $0.1 million to $0.2 million for the three months ended September 30, 2010, as compared to $0.3 million for the three months ended September 30, 2009. Our 2010 interest expense is related to our $6.0 million (in original principal amount) 12.5% notes. Our interest expense for the three months ended September 30, 2009, was primarily related to our 3.5% convertible subordinated notes, which with the emergence out of bankruptcy was exchanged for $6.0 million of debt and 3,960,000 shares of new common stock. As of September 30, 2010 and 2009, $6.0 million of debt was outstanding. There was no amortization of debt issuance costs for the three months ended September 30, 2009 because of the bankruptcy. There was an expense of $0.2 million of debt issuance costs related to the DIP financing in the three months ending September 30, 2009.

NET LOSS ATTRIBUTABLE TO COMMON SHAREHOLDERS. Net loss attributable to common shareholders decreased approximately $2.3 million to a net loss of $1.8 million for the three months ended September 30, 2010, as compared to a net loss of $4.1 million (excluding the reorganization gain of $74.1 million) for the three months ended September 30, 2009. This decrease in loss primarily represents the recording of the warrant liability revaluation gain of $1.3 million for the preferred stock warrants issued in October 2009, July 2010 and September 2010 and the warrants attached to the common shares issued in March 2010.

Results of Operations Comparison of the nine months ended September 30, 2010 and 2009

REVENUES. Revenue increased approximately $0.1 million for the nine months ended September 30, 2010 to $0.7 million as compared to $0.6 million for the nine months ended September 30, 2009. Our revenue from continuing operations is from the operations of Agera which we acquired on August 10, 2006. Agera markets and sells a complete line of advanced skin care systems based on a wide array of proprietary formulations, trademarks and non-peptide technology. For the nine months ended September 30, 2010 and 2009, 73% and 60%, respectively, of Agera s revenue were to one foreign customer. As such, total revenue is subject to fluctuation depending primarily on the orders received and orders fulfilled with respect to this large customer. Due to our financial statement presentation of our United Kingdom operation as a discontinued operation, our revenue for all periods presented is representative of only Agera, as all historical United Kingdom revenue is reflected in loss from discontinued operations.

COST OF SALES. Cost of sales decreased approximately $0.1 million to $0.4 million for the nine months ended September 30, 2010 as compared to $0.5 million for the nine months ended September 30, 2009. Our cost of sales relates to the operation of Agera. As a percentage of revenue, Agera cost of sales was approximately 55% and 78% for the nine months ended September 30, 2010 and 2009, respectively. The decrease is due to a write off of slow moving and obsolete inventory that occurred during the nine months ended September 30, 2009.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Selling, general and administrative expenses increased by approximately $0.6 million, or 13%, to $5.4 million for the nine months ended September 30, 2010 as compared to $4.8 million for the nine months ended September 30, 2009. The increase primarily relates to a $0.4 million increase related to general and administrative expenses associated with consultants for financing and marketing as well as office expenses, $0.4 million increase related to legal expenses, offset by a $0.2 million decrease in payroll related expenses. Legal expenses for the nine months ended September 30, 2009 were less than ($0.1) million due to a $0.3 million reimbursement received from our insurance carrier related to defense costs associated with our class action and derivative matters. Had we not received this reimbursement, legal expenses for the nine months ended September 30, 2010 and September 30, 2009 would have been $0.4 million and $0.2 million, respectively.

RESEARCH AND DEVELOPMENT. Research and development expenses increased by approximately $1.4 million, or 52%, to $4.1 million for the nine months ended September 30, 2010 as compared to $2.7 million for the nine months ended September 30, 2009. The increase primarily relates to a $0.5 million increase in payroll related expenses, $0.6 million increase in consulting fees and $0.3 million increase in laboratory costs associated with clinical and manufacturing activities in our Exton, Pennsylvania location. Research and development costs are composed primarily of costs related to our efforts to gain FDA approval for our Fibrocell Therapy for specific dermal applications in the United States, as well as costs related to other potential indications for our Fibrocell Therapy, such as acne scars and burn scars. Also, research and development expense includes costs to develop manufacturing, cell collection and logistical process improvements. Research and development costs primarily include personnel and laboratory costs related to these FDA trials and certain consulting costs. The total inception (December 28, 1995) to

date cost of research and development as of August 31, 2009 for the Predecessor Company was $56.3 million and total inception (September 1, 2009) to date cost of research and development as of September 30, 2010, for the Successor Company was $5.9 million.

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The FDA approval process is extremely complicated and is dependent upon our study protocols and the results of our studies. In the event that the FDA requires additional studies for our product candidate or requires changes in our study protocols or in the event that the results of the studies are not consistent with our expectations, the process will be more expensive and time consuming. Due to the complexities of the FDA approval process, we are unable to predict what the cost of obtaining approval for our dermal product candidate will be.

REORGANIZATION ITEMS, NET. On June 15, 2009, Isolagen, Inc. and its wholly-owned, U.S. subsidiary Isolagen Technologies, Inc., filed voluntary petitions for relief under Chapter 11 of the federal bankruptcy laws in the United States Bankruptcy Court for the District of Delaware, as more fully discussed under Note 1 in the accompanying Consolidated Financial Statements. A reorganization gain, net of reorganization costs, of less than $0.1 million was recorded for the nine months ended September 30, 2010, which was comprised primarily of administrative costs offset by the gain of discharge of liabilities. Reorganization gain, net or reorganization costs, of $73.5 million were recorded for the nine months ended September 30, 2009, which were comprised primarily of legal fees and the unamortized debt acquisition costs, and gain on discharge of liabilities.

INTEREST EXPENSE. Interest expense decreased $1.7 million to $0.6 million for the nine months ended September 30, 2010, as compared to $2.3 million for the nine months ended September 30, 2009. Our 2010 interest expense is related to our $6.0 million (in original principal amount) 12.5% notes. Our 2009 interest expense was primarily related to our 3.5% convertible subordinated notes, which with the emergence out of bankruptcy was exchanged for $6.0 million of debt and 3,960,000 shares of the new common stock. There was related amortization of debt issuance costs of $1.0 million for the nine months ended September 30, 2009.

NET LOSS ATTRIBUTABLE TO COMMON SHAREHOLDERS. Net loss attributable to common shareholders decreased approximately $1.5 million to a net loss of $8.3 million for the nine months ended September 30, 2010, as compared to a net loss of $9.8 million (excluding the reorganization gain of $73.5 million) for the nine months ended September 30, 2009.

Liquidity and Capital Resources

Cash Flows

Net cash provided by (used in) operating, investing and financing activities for the nine months ended September 30, 2010, the one month ended September 30, 2009 and the eight months ended August 31, 2009, respectively, were as follows:

	Successor Nine Months Ended September 30, 2010	Successor One Month Ended September 30, 2009	Predecessor Eight Months Ended August 31, 2009
		(in millions)	
Cash flows from operating activities	$ (6.9)	$ (1.6)	$ (4.7)
Cash flows from investing activities			
Cash flows from financing activities	5.8	1.8	2.8

OPERATING ACTIVITIES. Cash used in operating activities during the nine months ended September 30, 2010 amounted to $6.9 million, an increase of $0.6 million over the nine months ended September 30, 2009. The increase in our cash used in operating activities over the prior year is primarily due to an increase in net losses (adjusted for non-cash items) of $0.9 million, in addition to an increase of $0.3 million of operating cash inflows from changes in operating assets and liabilities.

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Our negative operating cash flows for the nine months ended September 30, 2010 were funded from cash on hand at December 31, 2009, which was primarily the result of the issuance of preferred stock in 2009. Funds were also received from the proceeds of the issuance of common stock in March 2010 and the issuance of preferred stock series B in July 2010 and September 2010, discussed further below.

INVESTING ACTIVITIES. Less than $0.1 million cash was provided by or used for investing activities during the nine months ended September 30, 2010 and the nine months ended September 30, 2009.

FINANCING ACTIVITIES. There was $5.8 million, net of fees, cash proceeds from financing activities during the nine months ended September 30, 2010, as compared to cash received of $4.6 million from financing activities during the nine months ended September 30, 2009. In March 2010, we sold to investors in the aggregate 5,076,664 shares of Company common stock at a purchase price of $0.75 per share. Each purchaser also received a warrant to purchase the same number of shares of common stock acquired in the offering at an exercise price of $0.98 per share. In July and September 2010, we sold to investors in the aggregate 5,711,666 shares of Company Preferred Stock Series B at a purchase price of $.60 per share. Each purchaser also received a warrant to purchase one share of common stock for every share of Preferred Stock Series B owned at a purchase price of $0.8054 per share.

Working Capital

As of September 30, 2010, we had cash and cash equivalents of approximately $0.2 million and negative working capital of $1.1 million. As discussed in the above paragraph, in early March 2010, we raised approximately $3.4 million, net of fees as a result of the issuance of common stock and warrants.

In early July 2010, the Successor Company raised approximately $2.7 million less fees as a result of the issuance of preferred stock and warrants. In early September 2010, the Successor Company raised approximately $0.7 million less fees as a result of the issuance of preferred stock and warrants. The Successor Company has also raised approximately $1.0 million less fees as the result of the issuance of preferred stock and warrants in the period from October 1, 2010 to November 12, 2010. Total funds raised for the Preferred Stock Series B for the period July 1, 2010 through November 12, 2010 is approximately $4.0 million, net of fees.

The Company has not yet received $0.7 million in subscription proceeds from the above raises. Although the Company believes that these outstanding funds will be received, there is no guarantee that these funds will be received.

As of November 12, 2010, the Company had cash and cash equivalents of approximately $0.2 million and liabilities of approximately $1.6 million. Thus, the Successor Company will require to raise additional cash resources in the very near future, or it will likely cease operations. The Successor Company will need to access the capital markets in the future in order to fund future operations. There is no guarantee that any such required financing will be available on terms satisfactory to the Successor Company or available at all. These matters create uncertainty relating to its ability to continue as a going concern. The accompanying consolidated financial statements do not reflect any adjustments relating to the recoverability and classification of assets or liabilities that might result from the outcome of these uncertainties.

Factors Affecting Our Capital Resources

Inflation did not have a significant impact on the Company s results during the nine months ended September 30, 2010.

Off-Balance Sheet Transactions

We do not engage in material off-balance sheet transactions.

ITEM 3. Quantitative and Qualitative Disclosures About Market Risk

Market risk is the potential loss arising from adverse changes in market rates and prices, such as foreign currency exchange rates or interest rates.

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Foreign Exchange Rate Risk

We do not believe that we have significant foreign exchange rate risk at September 30, 2010.

We do not enter into derivatives or other financial instruments for trading or speculative purposes.

ITEM 4. CONTROLS AND PROCEDURES

(a) Disclosure Controls and Procedures. Our management, with the participation of our Chief Executive Officer and Chief Financial Officer (the Certifying Officers), have evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act)) as of the end of the period covered by this report. Based on that evaluation, the Certifying Officers have concluded that our disclosure controls and procedures were effective for the purpose of ensuring that material information required to be in this quarterly report is made known to them by others on a timely basis and that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure.

(b) Changes in Internal Controls. There has been no change in our internal control over financial reporting that occurred during our most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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PART II OTHER INFORMATION

ITEM 1A. RISK FACTORS

There have been no material changes to the Risk Factors disclosed in our December 31, 2009 Form 10-K. Investors should consider the risks and uncertainties set forth in our December 31, 2009 Form 10-K, or updates to such risks and uncertainties, prior to making an investment decision with respect to our securities.

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

We filed our Form 8-K on July 19, 2010 and October 22, 2010 regarding our offering of Preferred Stock Series B and warrants in July 2010 and September through October 2010, respectively.

ITEM 5. OTHER INFORMATION

Effective November 11, 2010, Paul Hopper gave his resignation to the Board of Directors. His resignation was not a result of any disagreements relating to the Company s operations, policies or practices and there were no disagreements between him and any officer or director of the Company.

ITEM 6. EXHIBITS

(a) Exhibits

EXHIBIT NO.	IDENTIFICATION OF EXHIBIT
3.1	Certificate of Designation of Preferences, Rights and Limitations of Series B Convertible Preferred Stock, dated July 16, 2010 (incorporated by reference to Exhibit 3.1 to our Form 8-K filed July 19, 2010)
4.1	Common Stock Purchase Warrant (incorporated by reference to Exhibit 4.1 to our Form 8-K filed July 19, 2010)
4.2	Placement Agent Warrant (incorporated by reference to Exhibit 4.2 to our Form 8-K filed July 19, 2010)
4.3	Common Stock Purchase Warrant for the transactions entered into on September 8, 2010, October 13, 2010 and October 20, 2010. (incorporated by reference to Exhibit 4.1 to our Form 8-K filed October 22, 2010)
10.1	Securities Purchase Agreement dated July 16, 2010 between the Company and the Series B Preferred Stock Purchasers (incorporated by reference to Exhibit 10.1 to our Form 8-K filed July 19, 2010)
10.2	Registration Rights Agreement used for the transaction dated July 16, 2010 between the Company and the Series B Preferred Stock Purchasers (incorporated by reference to Exhibit 10.2 to our Form 8-K filed July 19, 2010)
10.3	Employment Agreement by and between Fibrocell Science, Inc. and Declan Daly dated August 24, 2010 (incorporated by reference to Exhibit 10.1 to our Form 8-K filed August 27, 2010)
10.4	Securities Purchase Agreements dated September 8, 2010, October 13, 2010 and October 20, 2010 between the Company and the Series B Preferred Stock Purchasers (incorporated by reference to Exhibit 10.1 to our Form 8-K filed October 22, 2010)
10.5	Registration Rights Agreements used for the transactions dated September 8, 2010, October 13, 2010 and October 20, 2010 between the Company and the Series B Preferred Stock Purchasers (incorporated by reference to Exhibit 10.2 to our Form 8-K filed October 22, 2010)
*31.1	Certification pursuant to Rule 13a-14(a) and 15d-14(a), required under Section 302 of the Sarbanes-Oxley Act of 2002
*31.2	Certification pursuant to Rule 13a-14(a) and 15d-14(a), required under Section 302 of the Sarbanes-Oxley Act of 2002
*32.1	Certification pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
*32.2	Certification pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

*- Filed herewith

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Fibrocell Science, Inc.

By: /s/ Declan Daly

Declan Daly
Chief Financial Officer

Date: November 15, 2010