Fibrocell Science, Inc.
Form 10-Q
August 15, 2011

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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 June 30, 2011
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 þ 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 August 9, 2011, issuer had 53,386,792 shares issued and outstanding of common stock, par value $0.001.

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Exhibit 32.2
EX-101 INSTANCE DOCUMENT
EX-101 SCHEMA DOCUMENT
EX-101 CALCULATION LINKBASE DOCUMENT
EX-101 LABELS LINKBASE DOCUMENT
EX-101 PRESENTATION LINKBASE DOCUMENT
EX-101 DEFINITION LINKBASE DOCUMENT

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PART I FINANCIAL INFORMATION

ITEM 1. Financial statements.

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

	June 30, 2011	December 31, 2010
Assets		
Current assets:		
Cash and cash equivalents	$ 2,606,381	$ 867,738
Accounts receivable, net	238,546	229,891
Inventory, net	266,692	258,939
Prepaid expenses and other current assets	357,575	559,082
Total current assets	3,469,194	1,915,650
Property and equipment, net of accumulated depreciation of $20,675 and $8,085, respectively	709,512	21,589
Other assets	250	250
Intangible assets	6,340,656	6,340,656
Total assets	$ 10,519,612	$ 8,278,145
Liabilities, Redeemable Preferred Stock, Shareholders Deficit and Noncontrolling Interest		
Current liabilities:		
Current debt	$ 7,856,206	$ 56,911
Accounts payable	770,211	1,096,125
Accrued expenses	622,738	789,482
Derivative liability-current	1,134,042	
Total current liabilities	10,383,197	1,942,518
Long-term debt		7,290,881
Deferred tax liability	2,500,000	2,500,000
Warrant liability	18,631,283	8,171,518
Derivative liability	5,468,898	2,120,360
Other long-term liabilities	198,804	255,606
Total liabilities	37,182,182	22,280,883
Commitments and contingencies		
Preferred stock series A, $0.001 par value; 9,000 shares authorized; 3,250 shares issued and 950 and 2,886 shares outstanding, respectively	390,015	1,280,150
Preferred stock series B, $0.001 par value; 9,000 shares authorized; 4,640 shares issued and 487 and 4,640 shares outstanding, respectively		

Preferred stock series B, $0.001 par value; subscription receivable		(210,000)
Preferred stock series D, $0.001 par value; 8,000 shares authorized; 1,645 and 7,779 shares issued, respectively, and 6,144 and 1,645 shares outstanding, respectively		
Fibrocell Science, Inc. shareholders deficit:		
Common stock, $0.001 par value; 250,000,000 shares authorized; 45,498,230 and 20,375,500 shares issued and outstanding, respectively	45,498	20,376
Additional paid-in capital	17,596,984	2,437,893
Accumulated deficit during development stage	(45,191,992)	(17,981,530)
Total Fibrocell Science, Inc. shareholders deficit	(27,549,510)	(15,523,261)
Noncontrolling interest	496,925	450,373
Total deficit and noncontrolling interest	(27,052,585)	(15,072,888)
Total liabilities, preferred stock, shareholders deficit and noncontrolling interest	$ 10,519,612	$ 8,278,145

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

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

	Successor For the three months ended June 30, 2011	Successor For the three months ended June 30, 2010
Revenue		
Product sales	$ 253,274	$ 264,062
Total revenue	253,274	264,062
Cost of sales	125,753	175,916
Gross profit	127,521	88,146
Selling, general and administrative expenses	3,265,344	1,821,330
Research and development expenses	1,601,665	1,473,741
Operating loss	(4,739,488)	(3,206,925)
Other income (expense)		
Warrant (expense) income	(3,510,552)	1,712,430
Derivative revaluation expense	(1,561,412)	
Interest expense	(283,661)	(203,268)
Loss from continuing operations	(10,095,113)	(1,697,763)
Loss from discontinued operations	(6,083)	(12,502)
Net loss	(10,101,196)	(1,710,265)
Net loss attributable to noncontrolling interest	(26,896)	(1,250)
Net loss attributable to Fibrocell Science, Inc. common shareholders	$ (10,128,092)	$ (1,711,515)
Per share information:		
Loss from continuing operations-basic and diluted	$ (0.32)	$ (0.09)
Net loss attributable to common shareholders per common share basic and diluted	$ (0.32)	$ (0.09)
Weighted average number of basic and diluted common shares outstanding	31,825,735	19,468,831

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

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

	Successor For the six months ended June 30, 2011	Successor For the six months ended June 30, 2010	Successor Cumulative period from September 1, 2009 (date of inception) to June 30, 2011	Predecessor Cumulative period from December 28, 1995 (date of inception) to August 31, 2009
Revenue				
Product sales	$ 461,910	$ 473,132	$ 1,728,220	$ 4,818,994
License fees				260,000
Total revenue	461,910	473,132	1,728,220	5,078,994
Cost of sales	223,611	276,435	908,307	2,279,335
Gross profit	238,299	196,697	819,913	2,799,659
Selling, general and administrative expenses	5,619,727	3,841,243	14,843,664	84,805,520
Research and development expenses	3,218,194	2,666,351	10,527,709	56,269,869
Operating loss	(8,599,622)	(6,310,897)	(24,551,460)	(138,275,730)
Other income (expense)				
Interest income			1	6,989,539
Reorganization items, net		3,303	(69,174)	73,538,984
Other income			244,479	316,338
Warrant (expense) income	(9,806,882)	295,186	(10,591,198)	
Derivative revaluation expense	(8,182,138)		(8,182,138)	
Interest expense	(557,069)	(400,998)	(1,849,442)	(18,790,218)
Loss from continuing operations before income taxes	(27,145,711)	(6,413,406)	(44,998,932)	(76,221,087)
Income tax benefit				190,754
Loss from continuing operations	(27,145,711)	(6,413,406)	(44,998,932)	(76,030,333)
Loss from discontinued operations	(18,199)	(29,546)	(79,117)	(41,091,311)
Net loss	(27,163,910)	(6,442,952)	(45,078,049)	(117,121,644)
Deemed dividend associated with beneficial conversion				(11,423,824)
Preferred stock dividends				(1,589,861)
	(46,552)	(16,388)	(113,943)	1,799,523

Net (income)/loss attributable to noncontrolling interest								
Net loss attributable to Fibrocell Science, Inc. common shareholders	$	(27,210,462)	$	(6,459,340)	$	(45,191,992)	$	(128,335,806)
Per share information:								
Loss from continuing operations-basic and diluted	$	(1.02)	$	(0.37)	$	(2.24)	$	(4.30)
Loss from discontinued operations-basic and diluted								(2.32)
Income (loss) 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 loss attributable to common shareholders per common share basic and diluted	$	(1.02)	$	(0.37)	$	(2.25)	$	(7.26)
Weighted average number of basic and diluted common shares outstanding		26,557,261		17,648,025		20,097,309		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)
Condensed Consolidated Statements of Shareholders Equity (Deficit) and Comprehensive Income (Loss)
(unaudited)

	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 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		$		$	2,843,045	$ 2,843	$ 451,517	2,400	$ (50,280)	$	$ (2,632,547)	$ (2,228,467)

(Predecessor)

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

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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	Deficit Accumulated During Development Stage	Total 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					3,942,400	3,942	(3,942)					

8/10/01				
Issuance of common stock for net assets of AFH on 8/10/01	3,899,547	3,900	(3,900)	
Issuance of common stock for cash on 8/10/01	1,346,669	1,347	2,018,653	2,020,000
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 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)
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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e of n stock n on		$		$	61,600	$ 62	$ 92,338		$	$	$	$ 9
e of n stock ent g tion on					100,000	100	539,900					54
ation of n stock /03					(79,382)	(79)	(119,380)					(11
pensated ution of s 1st							100,000					10
e of ed stock n on			110,250	110			2,773,218					2,77
e of ed stock n on			45,500	46			1,145,704					1,14
sion of ed stock mmon 2nd qtr	(70,954)	(72)			147,062	147	40,626					4
sion of s into n 2nd qtr					114,598	114	(114)					
pensated ution of s 2nd							100,000					10
e of ed stock ds											(1,087,200)	(1,08
							1,244,880				(1,244,880)	

d d ted with ial sion of ed stock											
e of n stock n 3rd qtr					202,500	202	309,798				31
e of n stock n on					3,359,331	3,359	18,452,202				18,45
sion of ed stock mmon 3rd qtr	(2,967,553)	(2,967)	(155,750)	(156)	7,188,793	7,189	(82,875)				(7
sion of s into n 3rd qtr					212,834	213	(213)				
nsation e on s issued ployees							412,812				41
e of n stock n 4th qtr					136,500	137	279,363				27
sion of s into n 4 qtr					393						
ehensive : s										(11,268,294)	(11,26
hensive , foreign y ion nent									360,505		36
ehensive											(10,90
e, 03 essor)		$		$	26,672,192	$ 26,672	$ 50,862,258	$	$ 374,380	$ (33,999,585)	$ 17,26

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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 Sharehol Equity (Deficit
version of ants into mon stock 1st		$		$	78,526	$ 79	$ (79)		$	$	$	$
nce of mon stock for in ection with cise of stock ons 1st qtr					15,000	15	94,985					95,
nce of mon stock for in ection with cise of ants 1st qtr					4,000	4	7,716					7,
pensation nse on ons and ants issued to employees directors 1st							1,410,498					1,410,
nce of mon stock in ection with cise of ants 2nd qtr					51,828	52	(52)					
nce of mon stock for 2nd qtr					7,200,000	7,200	56,810,234					56,817,
pensation nse on ons and ants issued to employees directors 2nd							143,462					143,
					7,431	7	(7)					

ance of mon stock in ection with cise of ants 3rd qtr								
ance of mon stock for in ection with cise of stock ons 3rd qtr	110,000	110	189,890					190,
ance 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,
ance 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,
hase 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						10,005		10,
prehensive me, net								

alized gain										
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 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 (Loss)	Accumulated Deficit During Development Stage	Total Shareho[lders'] Equi[ty] (Defic[it])
ce of on stock for n ction with se of stock s 1st qtr		$		$	25,000	$ 25	$ 74,975		$	$	$	$ 7
ensation se on s and nts issued to mployees 1st							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 4th qtr									
ensation se on ted stock issued to yee 4th qtr				606					
rsion of cessor any shares		94							
rehensive									
ss								(35,777,584)	(35,77
ehensive oreign cy ation 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 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	Noncontrolling Interest	Sh
on ued ees 1st		$		$		$	$ 42,810		$	$	$	$	$
on ds nd qtr							46,336						
on ock d qtr					128,750	129	23,368						
on ued ees 2nd							96,177						
on ds nd qtr							407,012						
on ock s 2nd							4,210						
of ock					(97,400)	(97)	97						

ck				
vith tock tr on	10,000	10	16,490	
ued ees 3rd on			25,627	
ds nd qtr on			389,458	
ock s 3rd			3,605	
ck				
vith tock tr of on	76,000	76	156,824	2,182,505
ued ees 4th on			34,772	
ds nd qtr on			390,547	
ock s 4th			88	
	(15,002)	(15)	15	

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

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

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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 (Loss)	Accumulated Deficit During Development Stage	Noncontrolling Interest	Sha (
on ued ees 1st		$		$		$	$ 39,742		$	$	$	$	$
on ds and qtr							448,067						
on ock st qtr							88						
ock with stock tr					15,000	15	23,085						
with n of tock qtr							1,178,483						
on ued ees 2nd							39,981						
on ds							462,363						

and qtr on							
ock nd 2 qtr on			88				
ds and qtr on			478,795				
ock rd 3 qtr			88				
ock se of qtr	492,613	493	893,811				
ock t of sts rd 3	6,767,647	6,767	13,745,400				1
ock with stock qtr on	1,666	2	3,164				
ds and qtr on			378,827				
ock th 4qtr sive			88				
				846,388	(35,573,114)	(246,347)	(3
sive n							

sive

(3

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	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 (Loss)	Accumulated Deficit During Development Stage	Noncontrolling Interest
sted to s 1st		$		$		$	$ 44,849		$	$	$	$
ion to							151,305					
h f k							1,262,815					
k					(165)	(1)						
sted to s 2nd							62,697					
ion to r							193,754					
sted to s 3rd							166,687					
ion to qtr							171,012					
							(86,719)					
sted												

to s 4th									
ion to									
qtr e				166,196					
								(31,411,179)	(1,680,676)
n of ge ntial									
.							(2,152,569)		
e									
							1,433,643		
e									
/08									
	$	$ 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.

	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 (Loss)	Accumulated Deficit During Development Stage	Noncontrolling Interest	(I
ion vested ted to vees s1 qtr		$		$		$	$ 1,746		$	$	$	$	$
ion option ed to and qtr							138,798						
of debt on stock)					37,564	38	343,962						
ion option ed to and nd qtr							112,616						
of debt on stock 9					1,143,324	1,143	10,468,857						1
ion option ed to and months /09							35,382						
expense ellation ssued to and 2 months /09							294,912						
sive											65,721,531	205,632	6
sive													6

1/09 or)			42,820,380	$ 42,820	$ 142,737,500	4,000,000	$ (25,974,000)	$	$ (128,335,806)	$ 382,982	$ (1
n of r common resh start s			(42,820,380)	(42,820)	(150,426,331)	(4,000,000)	25,974,000				(12
of r d deficit ulated rehensive									128,335,806		12
/09 or)					(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 ct. 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											(
	$	$	14,692,167	$ 14,692	$ 508,347		$	$	$ (5,049,999)	$ 398,475	$ (

/31/09

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

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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 (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
Compensation expense on shares issued to management 4Q10							18,000						18,000
							104,094						104,094

Compensation expense on option awards issued to directors/employees-4Q10										
Compensation expense on option awards issued to non-employees-4Q10					27,507					27,507
Preferred Stock Series A conversion			606,667	607	363,393					364,000
Comprehensive loss:										
Net loss								(12,931,531)	51,898	(12,879,633)
Comprehensive loss										(12,879,633)
Balance 12/31/10 (Successor)	$	$	20,375,498	$ 20,376	$ 2,437,893	$	$	$ (17,981,530)	$ 450,373	$ (15,072,888)

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

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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 (Loss)	Accumulated Deficit During Development Stage	Noncontrolling Interest	Total Equity (Deficit)
Compensation expense on shares issued to management 1Q11		$		$		$	$ 18,000		$	$	$	$	$ 18,000
Compensation expense on option awards issued to directors/employees-1Q11							995,551						995,551
Compensation expense on option awards issued to non-employees-1Q11							38,203						38,203
Preferred Stock warrants exercised 1Q11					289,599	289	241,542						241,831
Preferred Stock Series A and B converted 1Q11					3,894,000	3,894	323,919						327,813
Compensation expense on shares issued to management 2Q11							18,000						18,000
Compensation expense on option awards issued to directors/employees-2Q11							1,082,503						1,082,503
Compensation expense on option awards issued to non-employees-1Q11							250,473						250,473
Preferred Stock warrants exercised 2Q11					7,230,103	7,230	6,065,727						6,072,957
Preferred Stock Series A, B and D converted 2Q11					11,554,000	11,554	4,546,768						4,558,322
Issuance of 1.9 million shares of common stock in June 2011, net of issuance costs of $137,440					1,908,889	1,909	1,578,651						1,580,560
Stock option exercise					246,141	246	(246)						
Comprehensive loss:													
Net loss											(27,210,462)	46,552	(27,163,910)
Comprehensive loss													(27,163,910)
Balance 6/30/11 (Successor)		$		$	45,498,230	$ 45,498	$ 17,596,984		$	$	$ (45,191,992)	$ 496,925	$ (27,052,585)

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

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

	Successor For the six months ended June 30, 2011	Successor For the six months ended June 30, 2010	Successor Cumulative period from September 1, 2009 (date of inception) to June 30, 2011	Predecessor Cumulative period from December 31, 1995 (date of inception) to August 31, 2009
Cash flows from operating activities:				
Net loss	$ (27,210,462)	$ (6,459,340)	$ (45,191,992)	$ (115,322,121)
Adjustments to reconcile net loss to net cash used in operating activities:				
Reorganization items, net			72,477	(74,648,976)
Expense related to equity awards and issuance of stock	2,402,730	633,985	4,276,489	10,608,999
Warrant expense (income)	9,806,882	(295,186)	10,591,198	
Derivative revaluation expense	8,182,138		8,182,138	
Uncompensated contribution of services				755,556
Depreciation and amortization	12,590	3,140	20,675	9,091,990
Provision for doubtful accounts	(12,280)	(15,791)	(66,717)	337,810
Provision for excessive and/or obsolete inventory	5,178	(13,857)	(43,524)	259,427
Amortization of debt issue costs				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 loss (gain) on substantial liquidation of foreign entity	(4,988)	4,333	(12,674)	(2,256,408)
Net (loss) income attributable to noncontrolling interest	46,552	16,388	113,943	(1,799,523)
Change in operating assets and liabilities, excluding effects of acquisition:				
Decrease (increase) in accounts receivable	3,626	6,512	74,856	(91,496)
Decrease (increase) in other receivables	485	(96)	1,192	218,978
Decrease (increase) in inventory	(12,931)	6,111	45,451	(455,282)
Decrease in prepaid expenses	201,058	198,762	(1,048)	34,341
Decrease in other assets			4,120	71,000
Increase (decrease) in accounts payable	(325,914)	535,134	632,810	57,648
Increase in accrued expenses, liabilities subject to compromise and other liabilities	301,757	1,004,250	1,132,103	3,311,552
Decrease in deferred revenue				(50,096)

Net cash used in operating activities	(6,603,579)	(4,375,655)	(20,168,503)	(148,610,040)
Cash flows from investing activities:				
Acquisition of Agera, net of cash acquired				(2,016,520)
Purchase of property and equipment	(700,513)	(29,675)	(730,187)	(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	(700,513)	(29,675)	(730,187)	(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 redeemable preferred stock series A, net			2,870,000	12,931,800
Proceeds from the issuance of redeemable preferred stock series B, net	193,200		4,212,770	
Proceeds from the issuance of redeemable preferred stock series D, net	5,642,780		7,152,180	
Proceeds from the exercise of warrants	1,973,364		1,973,364	
Proceeds from the issuance of common stock, net	1,580,560	3,469,400	6,849,960	93,753,857
Costs associated with secured loan and debtor-in-possession loan				(360,872)
Proceeds from secured loan				500,471
Proceeds from debtor-in-possession loan				2,750,000
Payments on insurance loan	(48,655)	(40,861)	(134,229)	(79,319)
Cash dividends paid on preferred stock	(304,384)	(91,000)	(444,134)	(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	9,036,865	3,337,539	22,479,911	170,137,276
Effect of exchange rate changes on cash balances	5,870	(4,662)	14,884	(36,391)
Net increase (decrease) in cash and cash equivalents	1,738,643	(1,072,453)	1,596,105	1,010,276
Cash and cash equivalents, beginning of period	867,738	1,362,488	1,010,276	
Cash and cash equivalents, end of period	$ 2,606,381	$ 290,035	$ 2,606,381	$ 1,010,276

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	Successor For the six months ended June 30, 2011	Successor For the six months ended June 30, 2010	Successor Cumulative period from September 1, 2009 (date of inception) to June 30, 2011	Predecessor Cumulative period from December 31, 1995 (date of inception) to August 31, 2009
Supplemental disclosures of cash flow information:				
Predecessor cash paid for interest	$	$	$	$ 12,715,283
Successor cash paid for dividends	304,384	91,000	444,134	
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	366,135	97,011	366,135	
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
Predecessor equipment acquired through capital lease				167,154
Successor/Predecessor financing of insurance premiums			178,582	87,623
Successor issuance of notes payable				6,000,060
Successor common stock issued in connection with reorganization				5,472,000
Successor intangible assets				6,340,656
				2,500,000

Successor deferred tax liability in connection with fresh-start				
Elimination of Predecessor common stock and fresh-start adjustment				14,780,320
Successor accrued warrant liability	4,994,307	2,890,711	12,381,509	
Successor conversion of preferred stock Series A balance into common stock	814,082		814,082	
Successor conversion of preferred stock derivative balance into common stock	4,072,053		4,436,053	
Successor exercise of warrants-cashless	4,341,424		4,341,424	
Successor accrued derivative liability	372,495		2,492,855	

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 Condensed Consolidated Financial Statements
(unaudited)

Note 1 Business and Organization

Fibrocell Science, Inc. (Fibrocell or the Company or the Successor) is the parent company of Fibrocell Technologies (Fibrocell Tech) 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 consolidated subsidiary, Agera. The Company owns 57% of the outstanding shares of Agera.

Note 2 Development-Stage Risks and Liquidity

The Company has been primarily engaged in developing its initial product technology, has incurred losses since inception and has a deficit accumulated during the development stage of $45,191,992 as of June 30, 2011. The Company anticipates incurring additional losses until such time, that it can generate significant sales of recently approved FDA product, laViv®. On August 2, 2011, the Company announced a private placement transaction, pursuant to which the Company will received net proceeds of approximately $22.7 million. The closing is expected to occur in the near future.

As a result of the conditions discussed above, and in accordance with U.S. generally accepted accounting principles (GAAP), there exists doubt about the 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 future.

Note 3 Summary of Significant Accounting Policies

Basis of Presentation

The accompanying unaudited financial statements have been prepared in accordance with GAAP for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnote disclosures required by GAAP for complete consolidated financial statements. In the opinion of management, all adjustments (consisting only of normal recurring adjustments) considered necessary for a fair presentation have been included. These financial statements should be read in conjunction with the financial statements and notes thereto included in the Company s Annual Report on Form 10-K for the year ended December 31, 2010, filed with the Securities and Exchange Commission (SEC). The results of the Company s operations for any interim period are not necessarily indicative of the results of operations for any other interim period or full year.

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.

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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 periods in which it incurred net losses as the effect is anti-dilutive.
Recent Accounting Pronouncements
In June 2011, the FASB issued Accounting Standards Update (ASU) 2011-05, Comprehensive Income (Topic 220): *Presentation of Comprehensive Income* (ASU 2011-05), which amends current comprehensive income guidance. This accounting update eliminates the option to present the components of other comprehensive income as part of the statement of shareholders equity. Instead, the Company must report comprehensive income in either a single continuous statement of comprehensive income which contains two sections, net income and other comprehensive income, or in two separate but consecutive statements. ASU 2011-05 will be effective for public companies during the interim and annual periods beginning after December 15, 2011 with early adoption permitted. The adoption of ASU 2011-05 will not have an impact on the Company s consolidated financial statements as it only requires a change in the format of the current presentation.
Note 4 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 June 30, 2011, Agera s inventory of $0.3 million consisted of $0.1 million of raw materials and $0.2 million of finished goods. At December 31, 2010, Agera s inventory of $0.3 million consisted of $0.2 million of raw materials and $0.1 million of finished goods.
Note 5 Fair Value Measurements
The Company adopted the accounting guidance on fair value measurements for financial assets and liabilities measured on a recurring basis. The guidance requires fair value measurements be classified and disclosed in one of the following three categories:

Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2: Quoted prices in markets that are not active or inputs which are observable, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3: Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e., supported by little or no market activity).

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The following fair value hierarchy table presents information about each major category of the Company s financial assets and liability measured at fair value on a recurring basis as of June 30, 2011 and December 31, 2010:

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Balance at June 30, 2011				
Cash and cash equivalents	$ 2,606,381	$	$	$ 2,606,381
Liabilities				
Warrant liability	$	$	$ 18,631,283	$ 18,631,283
Derivative liability			6,602,940	6,602,940
Total	$	$	$ 25,234,223	$ 25,234,223

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Balance at December 31, 2010				
Cash and cash equivalents	$ 867,738	$	$	$ 867,738
Liabilities				
Warrant liability	$	$	$ 8,171,518	$ 8,171,518
Derivative liability			2,120,360	2,120,360
Total	$	$	$ 10,291,878	$ 10,291,878

The reconciliation of warrant liability measured at fair value on a recurring basis using unobservable inputs (Level 3) is as follows:

	Warrant Liability
Balance at December 31, 2010	$ 8,171,518
Issuance of additional warrants	4,994,307

Exercise of warrants	(4,341,424)
Change in fair value of warrant liability	9,806,882
Balance at June 30, 2011	$ 18,631,283

The fair value of the warrant liability is based on Level 3 inputs. For this liability, the Company developed its own assumptions that do not have observable inputs or available market data to support the fair value. See note 8 for further discussion of the warrant liability.
The reconciliation of derivative liability measured at fair value on a recurring basis using unobservable inputs (Level 3) is as follows:

	Derivative Liability
Balance at December 31, 2010	$ 2,120,360
Issuance of additional preferred stock and other	372,495
Conversion of preferred stock	(4,072,053)
Change in fair value of derivative liability	8,182,138
Balance at June 30, 2011	$ 6,602,940

The fair value of the derivative liability is based on Level 3 inputs. For this liability, the Company developed its own assumptions that do not have observable inputs or available market data to support the fair value. See note 7 for further discussion of the derivative liability.

Note 6 Accrued Expenses

Accrued expenses consist of the following:

	June 30, 2011	December 31, 2010
Accrued professional fees	$ 257,778	$ 413,384
Accrued compensation	5,575	7,076
Dividend on preferred stock payable	253,169	191,417
Accrued other	106,216	177,605
Accrued expenses	$ 622,738	$ 789,482

Note 7 Equity

Common Stock Private Placement

On June 16, 2011, the Company completed a private placement, pursuant to which it sold an aggregate of 1,908,889 shares of Company common stock to 8 accredited investors for an aggregate purchase price of $1,718,000. The placement agent for the transaction received cash compensation of $137,440 and warrants to purchase 152,711 shares of Company common stock at an exercise price of $0.90 per share.

Redeemable Preferred stock

On May 24, 2011, the Company sent a mandatory conversion notice to the holders of its outstanding Series A Convertible Preferred Stock and Series B Convertible Preferred Stock (collectively, the Preferred Stock). Pursuant to the notice, each holder of Preferred Stock was notified that since the volume weighted average price of the Company s common stock had exceeded 200% of the then effective conversion price of the Preferred Stock for twenty consecutive trading days, the Company was permitted to force the conversion of the Preferred Stock into Company common stock. The conversion was effective on July 7, 2011; provided that holders of Preferred Stock had the right to voluntarily convert their shares of Preferred Stock prior to such date.

As of June 30, 2011, the number of Preferred Stock outstanding, with a par value of $0.001 per share and a stated value of $1,000 per share is as follows:

Preferred Stock Series A	950
Preferred Stock Series B	487
Preferred Stock Series D	6,144
Total	7,581

The Company records accrued dividends at a rate of 6% per annum on the Series A, Series B and Series D Preferred. As of June 30, 2011, $253,169 was accrued for dividends payable. The Company paid cash of $106,157 and $304,384 during the three and six months ended June 30, 2011, respectively.

Preferred Stock Series D

On January 21 and 28, February 9 and March 1, 2011, the Company completed a private placement of securities of Series D Preferred and warrants. Each of the foregoing securities were subject to the down-round protection and if at any time while the Series D Preferred or warrants are outstanding, we sell or grant any option to purchase or sell or grant any right to reprice, or otherwise dispose of or issue (or announce any sale, grant or any option to purchase or other disposition), any common stock or common stock equivalents at an effective price per share that is lower than the then conversion price of the Series D Preferred (Conversion Price) or the exercise price of the warrants, then the conversion price and exercise price will be reduced to equal the lower price. The preferred stock has been classified within the mezzanine section between liabilities and equity in its consolidated balance sheets in accordance with Accounting Standards Codification (ASC) 480, Distinguishing Liabilities from Equity (ASC 480) because any holder of Series D Preferred may require the Company to redeem all of its Series D Preferred in the event of a triggering event which is outside of the control of the Company.

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The details of the Series D Preferred financing for the six months ended June 30, 2011 are as follows:

Date of Financing	**Number of shares of Series D Preferred**[(1)]	**Number of warrants issued**[(2)]
January 21, 2011	1,234	2,665,440
January 28, 2011	1,414	3,054,240
February 9, 2011	3,436	7,421,760
March 1, 2011	50	108,000
	6,134	13,249,440

(1) Series D Preferred at a stated par value of $1,000.

(2) Warrants to purchase shares of Common Stock at an exercise price of $0.50 per share issued to certain accredited investors and placement agents.

Conversion option of Redeemable Preferred stock

The embedded conversion option for the Series A Preferred, Series B Preferred and Series D Preferred has been recorded as a derivative liability under ASC 815 in the consolidated balance sheet as of June 30, 2011 and December 31, 2010. As of June 30, 2011 the derivative liability was re-measured resulting in an expense of $1,561,412 and $8,182,138 in our statement of operations for three months and six months, respectively. The fair value of the derivative liability 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 Company will continue to classify the fair value of the embedded conversion option as a liability and re-measure on the Company s reporting dates until the preferred stock is converted into common stock.

The embedded conversion option for the Series A Preferred, Series B Preferred and Series D Preferred was valued at $6,602,940 at June 30, 2011 at fair value using the Black-Scholes option pricing model. The fair market value of the derivative liability was computed using the Black-Scholes option-pricing model with the following weighted average assumptions as of the dates indicated:

	June 30, 2011	**December 31, 2010**
Expected life (years)	1.5 years	1.6 years
Interest rate	0.4%	1.3%
Dividend yield		
Volatility	62%	63%

Note 8 Warrants

Series D Preferred Stock Warrants and Placement Agent Warrants

In connection with the Series D Convertible Preferred Stock transaction, the Company issued 12,268,000 warrants at an exercise price of $0.50 per share and 981,440 placement agent warrants at an exercise price of $0.50 per share during the first quarter of 2011. 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 placement agents, based on the Black-Scholes valuation model, is estimated to be $0.45 per warrant.

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

	June 30, 2011	December 31, 2010
Expected life (years)	4.2 years	4.7 years
Interest rate	1.4%	1.8%
Dividend yield		
Volatility	62%	63%

The following table summarizes outstanding warrants to purchase Common Stock as of June 30, 2011:

	Number of Warrants	Expiration Dates	Warrant liability Balance as of June 30, 2011
Warrants and placement warrants issued in Series A Preferred Stock offering	3,256,492	Oct. 2014	$ 1,665,711
Warrants and placement warrants issued in March 2010 offering	4,917,602	Mar. 2015	2,599,340
Warrants and placement warrants issued in Series B Preferred Stock offering	9,650,650	Jul.-Nov. 2015	5,239,641
Warrants and placement warrants issued in Series D Preferred Stock offering	16,302,640	Dec. 2015-Mar. 2016	9,126,591
Total	34,127,384		$ 18,631,283

All warrants have an exercise price of $0.50 per share as a result of the December 2010 Series D Preferred Stock financing transaction. There were 3,946,731 warrants exercised for the three and six months ended June 30, 2011 which resulted in receipts of $1,973,366 and the issuance of 3,946,731 shares of common stock. In addition, there were 5,433,667 and 6,387,235 cashless warrants exercised for the three and six months ended June 30, 2011, respectively, which resulted in the issuance of 3,283,372 and 3,572,971 shares of common stock for the three and six months ended June 30, 2011, respectively.

Note 9 Stock-based Compensation

Total stock-based compensation expense recognized using the straight-line attribution method in the consolidated statement of operations is as follows:

	Three months ended June 30, 2011	June 30, 2010
Stock option compensation expense for employees and directors	$ 1,082,503	$ 222,011
Restricted stock expense	18,000	18,000
Equity awards for nonemployees issued for services	250,473	33,206
Total stock-based compensation expense	$ 1,350,976	$ 273,217

	Six months ended	June 30, 2010

	June 30, 2011		
Stock option compensation expense for employees and directors	$ 2,078,054	$	546,388
Restricted stock expense	36,000		36,000
Equity awards for nonemployees issued for services	288,676		51,597
Total stock-based compensation expense	$ 2,402,730	$	633,985

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	Number of shares		Weighted-average exercise price	Weighted-average remaining contractual term (in years)	Aggregate intrinsic value
Outstanding at December 31, 2010	5,677,000	$	0.86	7.46	$
Granted	9,058,000	$	0.72		
Exercised	(600,000)	$	0.75		
Forfeited		$			
Outstanding at June 30, 2011	14,135,000	$	0.78	8.59	$ 1,926,940
Exercisable at June 30, 2011	8,146,553	$	0.79	8.08	$ 1,048,873

The total fair value of shares vested during the six months ended June 30, 2011 was $2.1 million. As of June 30, 2011, there was $2.0 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 1.9 years. As of June 30, 2011, there was $0.2 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.

During the three months ended June 30, 2011 and 2010, the weighted average fair market value using the Black-Scholes option-pricing model of the options granted was $0.48 and $0.63, respectively. The fair market value of the options was computed using the Black-Scholes option-pricing model with the following key weighted average assumptions for the three months ended as of the dates indicated:

	June 30, 2011	June 30, 2010
Expected life (years)	5.3 years	3.7 years
Interest rate	2.3%	1.6%
Dividend yield		
Volatility	62%	64%

There were 600,000 cashless stock options exercised during the second quarter of June 30, 2011, which resulted in the issuance of 246,141 shares of common stock.

Restricted stock

As of June 30, 2011, there was $12,000 of total unrecognized compensation cost related to non-vested restricted stock that is expected to be recognized over a weighted-average period in September of 2011.

Note 10 Segment Information and Geographical information

The 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 Company s two reportable segments:

	Segment		
	Fibrocell Therapy	Agera	Consolidated
Three Months Ended June 30, 2011			
Total operating revenue	$	$ 253,274	$ 253,274
Depreciation and amortization expense	10,117		10,117
Segment income (loss) from continuing operations	$ (10,133,362)	$ 38,249	$ (10,095,113)

	Segment		
	Fibrocell Therapy	Agera	Consolidated
Six Months Ended June 30, 2011			
Total operating revenue	$	$ 461,910	$ 461,910
Depreciation and amortization expense	12,590		12,590
Segment income (loss) from continuing operations	$ (27,205,372)	$ 59,661	$ (27,145,711)

Supplemental information as of June 30, 2011			
Total assets	$ 9,830,330	$ 689,282	$ 10,519,612
Property and equipment, net	709,512		709,512
Intangible assets	6,340,656		6,340,656

An intercompany receivable as of June 30, 2011, 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 s 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 June 30, 2011 are approximately $10.5 million, which includes assets of discontinued operations of less than $0.1 million.

	Segment		
	Fibrocell Therapy	Agera	Consolidated
Three Months Ended June 30, 2010			
Total operating revenue	$	$ 264,062	$ 264,062
Depreciation and amortization expense	2,288		2,288

Segment income (loss) from continuing operations	$ (1,676,370)	$ (21,393)	$ (1,697,763)

	Segment		
	Fibrocell Therapy	**Agera**	**Consolidated**
Six Months Ended June 30, 2010			
Total operating revenue	$	$ 473,132	$ 473,132
Depreciation and amortization expense	3,140		3,140
Segment income (loss) from continuing operations	$ (6,402,918)	$ (10,488)	$ (6,413,406)
Supplemental information as of June 30, 2010			
Total assets	6,858,898	641,244	7,500,142
Property and equipment, net	26,535		26,535
Intangible assets	6,340,656		6,340,656

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An intercompany receivable as of June 30, 2010, 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, as well as Agera s 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 June 30, 2010 are approximately $7.5 million.
Geographical information concerning the Company s revenue and fixed assets are as follows:

	Revenue	
	Three months ended June 30, 2011	Three months ended June 30, 2010
United States	$ 47,350	$ 61,654
United Kingdom	117,408	149,123
Other	88,516	53,285
Total	$ 253,274	$ 264,062

	Revenue	
	Six months ended June 30, 2011	Six months ended June 30, 2010
United States	$ 95,473	$ 121,848
United Kingdom	265,572	290,790
Other	100,865	60,494
Total	$ 461,910	$ 473,132

	Property, Plant & Equipment	
	June 30, 2011	June 30, 2010
United States	$ 709,512	$ 21,589
Total	$ 709,512	$ 21,589

During the three months ended June 30, 2011, revenue from one foreign customer and one domestic customer represented 46% and 14% of consolidated revenue, respectively. During the three months ended June 30, 2010, revenue from one foreign customer and one domestic customer represented 75% and 16% of consolidated revenue, respectively.
During the six months ended June 30, 2011, revenue from one foreign customer and one domestic customer represented 57% and 15% of consolidated revenue, respectively. During the six months ended June 30, 2010, revenue

from one foreign customer and one domestic customer represented 72% and 18% of consolidated revenue, respectively.
As of June 30, 2011 and December 31, 2010, one foreign customer represented 65% and 88%, respectively, of accounts receivable, net.

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Note 11 Subsequent Events

Subsequent to June 30, 2011, 3,577 preferred shares were converted into 7,154,000 common shares and 734,564 warrants were exercised through August 9, 2011. Cash received for the warrants subsequent to June 30, 2011 was $367,282.

The Company announced on August 2, 2011, that it entered into a definitive Securities Purchase Agreement with certain accredited investors, pursuant to which the Company agreed to sell to the purchasers an aggregate of 41,245,822 shares of Company common stock at a purchase price of $0.55 per share in a private placement. Each purchaser will also receive a warrant to purchase 0.35 shares of common stock for every share of common stock acquired in the offering with an exercise price of $0.75 per share and a term of 5 years from issuance. The warrants are callable by the Company if the common stock trades over $1.75 for 20 consecutive trading days at any time after the shares underlying the warrants are registered or eligible for resale pursuant to Rule 144. The aggregate purchase price paid by the purchasers at closing for the common stock and the warrants was $22.7 million. The closing is expected to occur in the near future.

Pursuant to a Registration Rights Agreement between the Company and the purchasers, the Company is required to file a resale registration statement within 30 days that covers the resale of the shares of common stock and the shares of common stock issuable upon the exercise of the warrants.

Since the Company consummated a single offering of at least $10 million, certain note holders are entitled to a mandatory redemption of the outstanding principal plus any interest payable in cash within three business days of the consummation. Approximately 31% of the original note of $6.0 million has a mandatory redemption requiring that approximately $2.5 million including interest will have to be paid within three business days of consummation of the offering. The remaining note holders signed amendments to their notes raising the mandatory redemption for a single offering from $10 million to $30 million.

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

This report contains certain forward-looking statements 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, the words anticipate, believe, estimate, expect, intend, the facts suggest and words of similar in 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;
- our ability to decrease our manufacturing costs for laViv® and other 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 commercialized and sell our recently approved FDA product, laViv®;
- our ability to scale up our manufacturing facility over time;
- 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 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;
- 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 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 cannot assure you that projected results will be achieved.

General

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 (United States adopted name, or USAN, is azficel-T, product laViv®). On June 22, 2011, the FDA approved laViv®.

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.

Critical Accounting Policies and Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make significant judgments and estimates that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting period. Management bases these significant judgments and estimates on historical experience and other assumptions it believes to be reasonable based upon information presently available. Actual results could differ from those estimates under different assumptions, judgments or conditions. There were no material changes to our critical accounting policies and use of estimates previously disclosed in our 2010 Annual Report on Form 10-K.

Results of Operations

Three Months Ended June 30, 2011 compared to the Three Months Ended June 30, 2010

Revenues and Cost of Sales. Revenue and cost of sales for the three months ended June 30, 2011 and 2010 were comprised of the following:

	Three months ended June 30,		Increase (Decrease)	
	2011	2010	$	%
	(in thousands)			
Total revenue	$ 253	$ 264	$ (11)	(4%)
Cost of sales	126	176	(50)	(28%)
Gross profit	$ 127	$ 88	$ 39	44%

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The revenue for Agera remained flat comparing the three months ended June 30, 2011 and 2010. As a percentage of revenue, Agera cost of sales were approximately 50% for the three months ended June 30, 2011 and 67% for the three months ended June 30, 2010. Cost of sales as a percentage of revenue was higher for the three months ended June 30, 2010 due to an obsolescence adjustment.

Selling General and Administrative Expense. Selling, general and administrative expense for the three months ended June 30, 2011 and 2010 were comprised of the following:

	Three months ended June 30,				Increase (Decrease)		
	2011		2010		$000s		%
	(in thousands)						
Compensation and related expense	$	1,729	$	771	$	958	124%
External services consulting		160		215		(55)	(26%)
Facilities and related expense and other		1,376		835		541	65%
Total selling, general and administrative expense	$	3,265	$	1,821	$	1,444	79%

Selling, general and administrative expense increased $1.5 million to $3.3 million for the three months ended June 30, 2011 as compared to $1.8 million for the three months ended June 30, 2010. The increase is due primarily to an increase in stock compensation expense of $1.0 million, an increase in promotion expense of $0.6 million offset by a decrease of $0.1 million in payroll expenses, due primarily to no bonuses accrued in 2011.

Research and Development Expense. Research and development expense for the three months ended June 30, 2011 and 2010 were comprised of the following:

	Three months ended June 30,				Increase (Decrease)		
	2011		2010		$000s		%
	(in thousands)						
Compensation and related expense	$	471	$	407	$	64	16%
External services consulting		421		616		(195)	(32%)
Lab costs and related expense		479		227		252	111%
Facilities and related expense		231		224		7	3%
Total research and development expense	$	1,602	$	1,474	$	128	9%

Research and development expense increased $0.1 million to $1.6 million for the three months ended June 30, 2011 from $1.5 million for the three months ended June 30, 2010. The increase is due primarily to a $0.3 million increase in lab supplies offset by a $0.2 million decrease in consulting fees. The increase of $0.3 million for lab services related primarily to the histology study we completed in connection with the approval process for azficel-T. 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.

Interest Income (Expense). Interest expense for the three months ended June 30, 2011 increased by approximately $0.1 million, or 40%, from the three months ended June 30, 2010 due to higher debt balances. Our interest expense is related to the notes we issued in connection with our bankruptcy plan. We have been accreting the interest to principal at the rate of 15% per annum in accordance with the terms of the notes.

Change in Revaluation of Warrant and Derivative Liability. During the three months ended June 30, 2011, we recorded a non-cash expense of $3.5 million and $1.6 million for warrant expense and derivative revaluation expense, respectively, in our statements of operations due to an increase in the fair value of the warrant liability and derivative liability related to the Series A, B and D preferred stock financings. This increase in fair value was primarily due to an increase in the price per share of our common stock on June 30, 2011 as compared to March 31, 2011. During the three months ended June 30, 2010, we recorded non-cash income of $1.7 million for warrant expense in our statements of operations due to a decrease in the fair value of the warrant liability for warrants to purchase preferred stock that were liability-classified.

Net loss attributable to common shareholders. Net loss attributable to common shareholders increased approximately $8.4 million to a net loss of $10.1 million for the three months ended June 30, 2011, as compared to a net loss of $1.7 million for the three months ended June 30, 2010 primarily due to an increase in the fair value of the warrant liability and derivative liability related to the Series A, B and D preferred stock financings.

Six Months Ended June 30, 2011 compared to the Six Months Ended June 30, 2010

Revenues and Cost of Sales. Revenue and cost of sales for the six months ended June 30, 2011 and 2010 were comprised of the following:

	Six months ended June 30,		Increase (Decrease)	
	2011	2010	$000s	%
	(in thousands)			
Total revenue	$ 462	$ 473	$ (11)	(2%)
Cost of sales	224	276	(52)	(19%)
Gross profit	$ 238	$ 197	$ 41	21%

The revenue for Agera remained flat comparing the six months ended June 30, 2011 and 2010. As a percentage of revenue, Agera cost of sales were approximately 48% for the six months ended June 30, 2011 and 58% for the six months ended June 30, 2010. Cost of sales as a percentage of revenue was higher for the six months ended June 30, 2010 due to an obsolescence adjustment.

Selling General and Administrative Expense. Selling, general and administrative expense for the six months ended June 30, 2011 and 2010 were comprised of the following:

	Six months ended June 30,		Increase (Decrease)	
	2011	2010	$000s	%
	(in thousands)			
Compensation and related expense	$ 2,993	$ 1,722	$ 1,271	74%
External services consulting	396	452	(56)	(12%)
Facilities and related expense and other	2,231	1,667	564	34%
Total selling, general and administrative expense	$ 5,620	$ 3,841	$ 1,779	46%

Selling, general and administrative expense increased $1.8 million to $5.6 million for the six months ended June 30, 2011 as compared to $3.8 million for the six months ended June 30, 2010. The increase is primarily due to an increase in stock compensation expense of $1.6 million offset by a decrease of $0.3 million in payroll expenses, due primarily to no bonuses accrued in 2011 and an increase in promotion expense of $0.6 million.

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Research and Development Expense. Research and development expense for the six months ended June 30, 2011 and 2010 were comprised of the following:

	Six months ended June 30, 2011	Six months ended June 30, 2010	Increase (Decrease) $000s	%
	(in thousands)			
Compensation and related expense	$ 995	$ 770	$ 225	29%
External services consulting	1,042	1,013	29	3%
Lab costs and related expense	756	451	305	68%
Facilities and related expense	425	432	(7)	(2%)
Total research and development expense	$ 3,218	$ 2,666	$ 552	21%

Research and development expense increased $0.5 million to $3.2 million for the six months ended June 30, 2011 as compared to $2.7 million for the six months ended June 30, 2010. The increase is primarily due to an increase in compensation and related expense related to an increase of $0.2 million for stock compensation expense and $0.2 million for lab supplies. Research and development costs are composed primarily of costs related to our efforts to gain FDA approval for laViv®. 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 June 30, 2011, for the Successor Company was $10.5 million.

Interest Income (Expense). Interest expense for the six months ended June 30, 2011 increased by $0.2 million, or 39%, from the three months ended June 30, 2010 due to higher debt balances. Our interest expense is related to the notes we issued in connection with our bankruptcy plan. We have been accreting the interest to principal at the rate of 15% per annum in accordance with the terms of the notes.

Change in Revaluation of Warrant and Derivative Liability. During the six months ended June 30, 2011, we recorded a non-cash expense of $9.8 million and $8.2 million for warrant expense and derivative revaluation expense, respectively, in our statements of operations due to an increase in the fair value of the warrant liability and derivative liability related to the Series A, B and D preferred stock financings. This increase in fair value was primarily due to an increase in the price per share of our common stock on June 30, 2011 as compared to December 31, 2010. During the six months ended June 30, 2010, we recorded non-cash income of $0.3 million for warrant expense in our statements of operations due to an decrease in the fair value of the warrant liability for warrants to purchase preferred stock that were liability-classified.

Net loss attributable to common shareholders. Net loss attributable to common shareholders increased approximately $20.7 million to a net loss of $27.2 million for the six months ended June 30, 2011, as compared to a net loss of $6.5 million for the six months ended June 30, 2010 primarily due to an increase in the fair value of the warrant liability and derivative liability related to the Series A, B and D preferred stock financings.

Liquidity and Capital Resources

The following table summarizes our cash flows from operating, investing and financing activities for the six months ended June 30, 2011 and 2010:

	Six Months Ended June 30, 2011	2010
	(in thousands)	
Statement of Cash Flows Data:		
Total cash provided by (used in):		
Operating activities	$ (6,604)	$ (4,376)
Investing activities	(701)	(30)
Financing activities	9,037	3,338

Operating Activities. Cash used in operating activities during the six months ended June 30, 2011 amounted to $6.6 million, an increase of $2.2 million over the six months ended June 30, 2010. 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 $0.7 million, in addition to operating cash outflows from changes in operating assets and liabilities.

Investing Activities. Cash was used in investing activities during the six months ended June 30, 2011 amounted to $0.7 million due to the purchase of property and equipment for the lab facility in Exton, Pennsylvania.

Financing Activities. There were $9.0 million cash proceeds from financing activities during the six months ended June 30, 2011, as compared to $3.3 million received from financing activities during the six months ended June 30, 2010. During the six months ended June 30, 2011, we raised cash from the issuance of common stock, preferred stock and warrants. During the six months ended June 30, 2010, we raised cash from the issuance of common stock and warrants.

Working Capital

As of June 30, 2011, we had cash and cash equivalents of $2.6 million and negative working capital of $6.9 million. On June 16, 2011, the Company completed a private placement, pursuant to which it sold an aggregate of 1,908,889 shares of Company common stock to 8 accredited investors for an aggregate purchase price of $1,718,000. The placement agent for the transaction received cash compensation of $137,440 and warrants to purchase 152,711 shares of Company common stock at an exercise price of $0.90 per share. On August 2, 2011, the Company announced that it entered into a definitive Securities Purchase Agreement to raise $22.7 million in a private placement. The closing is expected to occur in the near future.

Debt

The Company s outstanding debt at June 30, 2011 and December 31, 2010 consists of $7.9 million and $7.3 million, respectively, of unsecured promissory notes (Notes). Unpaid interest has been accreted to the principal at a rate of 15%. The Notes have the following features: (1) 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; (2) maturing June 1, 2012; (3) 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. There is a mandatory redemption feature that requires the Company to redeem all outstanding Notes if: (1) the Company consummates an offering or series of offerings with proceeds in excess of $10 million during a six month period; or (2) the Company is acquired by, or sells a majority stake to, an outside party; provided that holders of $4.1 million in Notes have agreed that such mandatory redemption shall apply after the Company consummates an offering or series of offerings with proceeds in excess of $30 million during a six month period. As of June 30, 2011 the Notes have been classified as current since the maturity date is June 1, 2012.

On August 2, 2011, the Company announced that it entered into a definitive Securities Purchase Agreement with certain accredited investors, pursuant to which the Company agreed to sell to the purchasers an aggregate of 41,245,822 shares of Company common stock at a purchase price of $0.55 per share in a private placement for an aggregate purchase price of $22.7 million. The closing is expected to occur in the near future.

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Since the Company consummated a single offering of at least $10 million, note holders holding approximately $2.5 million, including interest, are entitled to a mandatory redemption of the outstanding principal plus any interest payable in cash within three business days of the consummation.

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.

Foreign Exchange Rate Risk

We do not believe that we have significant foreign exchange rate risk at June 30, 2011.

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

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures and Changes in Internal Control over Financial Reporting

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) of 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, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures as of the end of the period covered by this report were effective in ensuring that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission s rules and forms. We believe that a control system, no matter how well designed and operated, cannot provide absolute assurance that the objectives of the control system are met, and no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected.

There was no change in our internal control over financial reporting (as defined in Rule 13a-15(f) of the Exchange Act) that occurred during the period covered by this report 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 1. Legal Proceedings.

None

Item 1A. Risk Factors.

There were no material changes from the risk factors previously disclosed in the Annual Report on Form 10-K filed on March 30, 2011.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

All information regarding the financings we completed during the three months ended June 30, 2011, have been previously disclosed in current reports we have filed on Form 8-K.

Item 3. Defaults Upon Senior Securities.

None

Item 4. (Removed and Reserved)

Item 5. Other Information.

None

Item 6. Exhibits

(a) Exhibits

EXHIBIT NO.	IDENTIFICATION OF EXHIBIT
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
101.INS	XBRL Instance Document.
101.SCH	XBRL Taxonomy Extension Schema Document.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.

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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: August 15, 2011