Fibrocell Science, Inc.
Form 10-Q
November 14, 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 September 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 November 8, 2011, issuer had 95,548,253 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)
Condensed Consolidated Balance Sheets
(unaudited)

	September 30, 2011	December 31, 2010
Assets		
Current assets:		
Cash and cash equivalents	$ 14,840,392	$ 867,738
Accounts receivable, net	234,418	229,891
Inventory, net	315,931	258,939
Prepaid expenses and other current assets	1,372,043	559,082
Total current assets	16,762,784	1,915,650
Property and equipment, net of accumulated depreciation of $83,787 and $8,085, respectively	732,328	21,589
Intangible assets and other	6,340,906	6,340,906
Total assets	$ 23,836,018	$ 8,278,145
Liabilities, Redeemable Preferred Stock, Shareholders Equity/(Deficit) and Noncontrolling Interest		
Current liabilities:		
Current debt	$ 6,394,532	$ 56,911
Accounts payable	1,050,215	1,096,125
Accrued expenses	1,447,975	789,482
Deferred revenue	12,500	
Total current liabilities	8,905,222	1,942,518
Long-term debt		7,290,881
Deferred tax liability	2,500,000	2,500,000
Warrant liability	7,509,630	8,171,518
Derivative liability	1,056,920	2,120,360
Other long-term liabilities	170,403	255,606
Total liabilities	20,142,175	22,280,883
Commitments and contingencies		
Preferred stock series A, $0.001 par value; 9,000 shares authorized; 3,250 shares issued; 0 and 2,886 shares outstanding, respectively		1,280,150
Preferred stock series B, $0.001 par value; 9,000 shares authorized; 4,640 shares issued; 0 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; 7,779 and 1,645 shares issued, respectively, and 3,841 and 1,645 shares outstanding, respectively		
Fibrocell Science, Inc. shareholders equity/(deficit):		
Common stock, $0.001 par value; 250,000,000 shares authorized; 95,278,255 and 20,375,500 shares issued and outstanding, respectively	95,278	20,376
Common stock; $0.001 par value; subscription receivable	(2,038,733)	
Additional paid-in capital	43,421,317	2,437,893
Accumulated deficit during development stage	(38,275,135)	(17,981,530)
Total Fibrocell Science, Inc. shareholders equity/(deficit)	3,202,727	(15,523,261)
Noncontrolling interest	491,116	450,373
Total equity/(deficit) and noncontrolling interest	3,693,843	(15,072,888)
Total liabilities, preferred stock, shareholders equity/(deficit) and noncontrolling interest	$ 23,836,018	$ 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 September 30, 2011	Successor For the three months ended September 30, 2010
Revenue		
Product sales	$ 159,400	$ 243,677
Total revenue	159,400	243,677
Cost of sales	96,631	118,916
Gross profit	62,769	124,761
Selling, general and administrative expenses	3,920,986	1,583,418
Research and development expenses	1,892,859	1,387,466
Operating loss	(5,751,076)	(2,846,123)
Other income/(expense)		
Warrant income	10,621,558	1,265,571
Derivative revaluation income	2,316,428	
Interest expense	(264,998)	(211,919)
Income/(loss) from continuing operations	6,921,912	(1,792,471)
Loss from discontinued operations	(10,864)	(8,575)
Net income/(loss)	6,911,048	(1,801,046)
Net income/(loss) attributable to noncontrolling interest	5,809	(20,859)
Net income/(loss) attributable to Fibrocell Science, Inc. common shareholders	$ 6,916,857	$ (1,821,905)
Per share information:		
Net income/(loss) from continuing operations		
Basic	$ 0.10	$ (0.09)
Diluted	$ 0.08	$ (0.09)
Net income/(loss) attributable to common shareholders per common share		
Basic	$ 0.10	$ (0.09)
Diluted	$ 0.08	$ (0.09)
Weighted average number of basic common shares outstanding	69,863,597	19,557,842
Weighted average number of diluted common shares outstanding	83,671,791	19,557,842

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	Successor	Successor	Predecessor
	For the nine months ended September 30, 2011	For the nine months ended September 30, 2010	Cumulative period from September 1, 2009 (date of inception) to September 30, 2011	Cumulative period from December 28, 1995 (date of inception) to August 31, 2009
Revenue				
Product sales	$ 621,310	$ 716,809	$ 1,887,620	$ 4,818,994
License fees				260,000
Total revenue	621,310	716,809	1,887,620	5,078,994
Cost of sales	320,242	395,351	1,004,938	2,279,335
Gross profit	301,068	321,458	882,682	2,799,659
Selling, general and administrative expenses	9,540,713	5,424,661	18,764,650	84,805,520
Research and development expenses	5,111,053	4,053,817	12,420,568	56,269,869
Operating loss	(14,350,698)	(9,157,020)	(30,302,536)	(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 income	814,676	1,560,757	30,360	
Derivative revaluation expense	(5,865,710)		(5,865,710)	
Interest expense	(822,067)	(612,917)	(2,114,440)	(18,790,218)
Loss from continuing operations before income taxes	(20,223,799)	(8,205,877)	(38,077,020)	(76,221,087)
Income tax benefit				190,754
Loss from continuing operations	(20,223,799)	(8,205,877)	(38,077,020)	(76,030,333)
Loss from discontinued operations	(29,063)	(38,121)	(89,981)	(41,091,311)
Net loss	(20,252,862)	(8,243,998)	(38,167,001)	(117,121,644)
				(11,423,824)

Deemed dividend associated with beneficial conversion								
Preferred stock dividends								(1,589,861)
Net (income)/loss attributable to noncontrolling interest		(40,743)		(37,247)		(108,134)		1,799,523
Net loss attributable to Fibrocell Science, Inc. common shareholders	$	(20,293,605)	$	(8,281,245)	$	(38,275,135)	$	(128,335,806)
Per share information:								
Loss from continuing operations-basic and diluted	$	(0.40)	$	(0.45)	$	(1.37)	$	(4.30)
Loss from discontinued operations-basic and diluted								(2.32)
Income (loss) attributable to noncontrolling interest								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	$	(0.40)	$	(0.45)	$	(1.37)	$	(7.26)
Weighted average number of basic and diluted common shares outstanding		51,219,473		18,291,301		27,767,571		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 (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 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 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

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

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	Series A Preferred Stock		Series B Preferred Stock		Common Stock		Additional	Treasury Stock		Accumulated Other	Accumulated Deficit During	Tot Shareh
	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Paid-In Capital	Number of Shares	Amount	Comprehensive Income	Development Stage	Equ (Defi
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 ts 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 ts into n 3rd qtr					212,834	213	(213)				
nsation e on ts issued ployees							412,812				41
e of n stock n 4th qtr					136,500	137	279,363				27
sion of ts into n 4th 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 Shareholo 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,
nce of mon stock in					7,431	7	(7)					

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 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 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	Tota Shareho Equi (Defic
ce of on stock for n ction with se of stock s 1[st] qtr		$		$	25,000	$ 25	$ 74,975		$	$	$	$ 7
ensation se on s and nts issued to mployees 1[st]							33,565					3
rsion of nts into on stock 2[nd]					27,785	28	(28)					
ensation se on s and nts issued to mployees 2[nd]							(61,762)					(6
ensation se on s and nts issued to mployees 3[rd]							(137,187)					(13
rsion of nts into on stock 3[rd]					12,605	12	(12)					
ensation se on s and nts issued to mployees 4[th]							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)	(35,777
ehensive oreign cy ation ment							(1,372,600)		(1,372
n exchange n ntial ation of n entity							133,851		133
ehensive et ized gain ble-for-sale ments							(10,005)		(10
rehensive									(37,026
ce, 12/31/05 cessor)	$	$ 34,260,383	$ 34,260	$ 109,879,125	4,000,000	$ (25,974,000)	$ (784,644)	$ (91,251,638)	$ (8,096

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on ued ees 1st		$		$		$	$ 42,810		$	$	$	$	$
on ds nd qtr on							46,336						
ock d qtr on					128,750	129	23,368						
ued ees 2nd							96,177						
on ds nd qtr on							407,012						
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	76,000	76	156,824	
				2,182,505
on				
ued ees 4th on			34,772	
ds nd qtr on			390,547	
ock s 4th			88	
	(15,002)	(15)	15	

of												
ck												
ive												
									(35,821,406)	(78,132)	(
ive n												
							657,182					
ive												
												(
)	$	$	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 rees 1st		$		$		$	$ 39,742		$	$	$	$	$
on ds and qtr							448,067						
on ock 1st qtr							88						
ock with stock tr					15,000	15	23,085						
with n of tock qtr							1,178,483						
on ued rees 2nd							39,981						
on							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 sts 3rd	6,767,647	6,767	13,745,400			1
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)	(3

sive n												
							846,388					
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					166,196					
e										
									(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.

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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	I (I
ion vested ted to vees 1st qtr		$		$		$	$ 1,746		$	$	$	$	$
ion option ed to and qtr							138,798						
of debt on stock)					37,564	38	343,962						
ion option ted 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														(
/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	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	Subscription Receivable	Additional Paid-In Capital	Treasury Stock Number of Shares	Treasury Stock Amount	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit During Development Stage	Noncontrolling Interest	
n expense on shares agement 1Q11		$		$		$	$	$ 18,000		$	$	$	$	$
n expense on option l to loyees-1Q11								995,551						
n expense on option l to non-employees-1Q11								38,203						
ck warrants exercised -					289,599	289		241,542						
ck Series A and B Q11					3,894,000	3,894		323,919						
n expense on shares agement 2Q11								18,000						
n expense on option l to loyees-2Q11								1,082,503						
n expense on option l to non-employees-2Q11								250,473						
ck warrants exercised					7,230,103	7,230		6,065,727						
ck Series A, B and D Q11					11,554,000	11,554		4,546,768						
.9 million shares of k and 0.2 warrants in et of issuance costs of					1,908,889	1,909		1,578,651						
exercise					246,141	246		(246)						
n expense on shares agement 3Q11								12,000						
n expense on option l to loyees/consultants-3Q11								225,235						
ck warrants exercised					890,564	891		944,485						
ck Series A, B and D Q11					7,480,000	7,480		3,546,584						
1.4 million shares of k and 15.7 warrants in net of issuance costs of					41,409,461	41,409	(2,038,733)	21,096,029						

ve loss:													
											(20,293,605)	40,743	
ve loss													
/11 (Successor)	$	$	95,278,255	$ 95,278	$ (2,038,733)	$ 43,421,317	$	$		$ (38,275,135)	$ 491,116		$

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 Cash Flows
(unaudited)

	Successor For the nine months ended September 30, 2011	Successor For the nine months ended September 30, 2010	Successor Cumulative period from September 1, 2009 (date of inception) to September 30, 2011	Predecessor Cumulative period from December 31, 1995 (date of inception) to August 31, 2009
Cash flows from operating activities:				
Net loss attributable to Fibrocell Science, Inc. common shareholders	$ (20,293,605)	$ (8,281,245)	$ (38,275,135)	$ (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	2,639,965	842,940	4,513,724	10,608,999
Warrant income	(814,676)	(1,560,757)	(30,360)	
Derivative revaluation expense	5,865,710		5,865,710	
Uncompensated contribution of services				755,556
Depreciation and amortization	75,702	5,612	83,787	9,091,990
Provision for doubtful accounts	(14,766)	(12,839)	(69,203)	337,810
Provision for excessive and/or obsolete inventory	(23,654)	(51,165)	(72,356)	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 gain on substantial liquidation of foreign entity	(3,110)	(3,031)	(10,796)	(2,256,408)
Net (loss) income attributable to noncontrolling interest	40,743	37,247	108,134	(1,799,523)
Change in operating assets and liabilities, excluding effects of acquisition:				
Decrease (increase) in accounts receivable	10,239	3,783	81,469	(91,496)
Decrease (increase) in other receivables	3,981	(105)	4,688	218,978
Decrease (increase) in inventory	(33,339)	69,086	25,043	(455,282)
Decrease (increase) in prepaid expenses	(816,928)	(37,812)	(1,019,034)	34,341
Decrease in other assets			4,120	71,000
Increase (decrease) in accounts payable	(45,910)	828,353	912,814	57,648
	1,118,057	1,228,707	1,948,403	3,311,552

Increase in accrued expenses, liabilities subject to compromise and other liabilities				
Increase (decrease) in deferred revenue	12,500		12,500	(50,096)
Net cash used in operating activities	(12,279,091)	(6,931,226)	(25,844,015)	(148,610,040)
Cash flows from investing activities:				
Acquisition of Agera, net of cash acquired				(2,016,520)
Purchase of property and equipment	(786,441)	(29,675)	(816,115)	(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	(786,441)	(29,675)	(816,115)	(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	2,388,168	4,212,770	
Deposit received for issuance of shares in October 2010		130,000		
Proceeds from the issuance of redeemable preferred stock series D, net	5,642,780		7,152,180	
Proceeds from the exercise of warrants	2,418,646		2,418,646	
Proceeds from the issuance of common stock, net	20,679,265	3,469,400	25,948,665	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	(56,911)	(47,795)	(142,485)	(79,319)
Principal payments on 12.5% note payable	(1,283,321)		(1,283,321)	
Cash dividends paid on preferred stock	(559,229)	(139,750)	(698,979)	(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	27,034,430	5,800,023	40,477,476	170,137,276
	3,756	3,473	12,770	(36,391)

Effect of exchange rate changes on cash balances				
Net increase (decrease) in cash and cash equivalents	13,972,654	(1,157,405)	13,830,116	1,010,276

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	Successor For the nine months ended September 30, 2011	Successor For the nine months ended September 30, 2010	Successor Cumulative period from September 1, 2009 (date of inception) to September 30, 2011	Predecessor Cumulative period from December 31, 1995 (date of inception) to August 31, 2009
Cash and cash equivalents, beginning of period	867,738	1,362,488	1,010,276	
Cash and cash equivalents, end of period	$ 14,840,392	$ 205,083	$ 14,840,392	$ 1,010,276
Supplemental disclosures of cash flow information:				
Successor/Predecessor cash paid for interest	$ 435,096	$	$ 435,096	$ 12,715,283
Successor cash paid for dividends	559,229	139,750	698,979	
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	431,679	85,183	431,679	
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
			178,582	87,623

Successor/Predecessor financing of insurance premiums				
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
Successor deferred tax liability in connection with fresh-start				2,500,000
Elimination of Predecessor common stock and fresh-start adjustment				14,780,320
Successor subscription receivable	2,038,733	792,000	2,038,733	
Successor accrued warrant liability	4,994,307	5,579,319	12,381,509	
Successor conversion of preferred stock Series A balance into common stock	1,202,989		1,202,989	
Successor conversion of preferred stock derivative balance into common stock	7,237,210		7,601,210	
Successor exercise of warrants	4,841,519		4,841,519	
Successor accrued derivative liability	308,060		2,428,420	

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

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 development stage biotechnology 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 s lead product, LAVIV (LAVIV), is the first and only personalized aesthetic cell therapy approved by the FDA for the improvement of the appearance of moderate to severe nasolabial fold wrinkles in adults. 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, and the Successor has incurred losses since inception and has a deficit accumulated during the development stage of $38,275,135 as of September 30, 2011. The Company anticipates incurring additional losses until such time, that it can generate significant sales of recently approved FDA product, LAVIV. As of September 30, 2011, the Company received $19.1 million, net of fees, with $2.0 million subscription receivable outstanding related to the August 2011 private placement. Subsequent to September 30, 2011, the Company has received an additional amount of $1.5 million, leaving a balance of $0.5 million due.

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.

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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.

Inventory

Inventories are determined at the lower of cost or market value with cost determined under specific identification and on the first-in-first-out method. Inventories consist of raw materials and finished goods. We began capitalizing raw material inventory in August 2011 in preparation for our LAVIV product launch. Costs incurred prior to August 2011 have been recorded as research and development expense in our statement of operations.

Income (loss) per share data

Basic income (loss) per share is calculated based on the weighted average common shares outstanding during the period. Diluted income 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 following table presents computations of net income (loss) per share.

	For the three months ended September 30,		**For the nine months ended September 30,**	
	2011	**2010**	**2011**	**2010**
Numerator for basic and diluted net income (loss) per share-net income (loss) attributable to common shareholders	$ 6,916,857	$ (1,821,905)	$ (20,293,605)	$ (8,281,245)
Denominator for basic net income (loss) per share-net income (loss) attributable to common shareholders	69,863,597	19,557,842	51,219,473	18,291,301
Effect of dilutive securities:				
Convertible preferred stock	7,682,000			
Warrants	6,126,194			
Diluted potential common shares	13,808,194			
Denominator for diluted net income (loss) per share-net income (loss) attributable to common shareholders	83,671,791	19,557,842	51,219,473	18,291,301
Basic net income (loss) attributable to common shareholders per common share	$ 0.10	$ (0.09))	$ (0.40)	$ (0.45)
Diluted net income (loss) attributable to common shareholders per common share	$ 0.08	$ (0.09))	$ (0.40)	$ (0.45)

The following potentially dilutive securities have been excluded from the computations of diluted weighted-average shares outstanding as of September 30, 2011 and 2010, as they would be anti-dilutive:

	For the three months ended September 30,	**For the nine months ended September 30,**

	2011	2010	2011	2010
Shares of convertible preferred stock		9,058,333	7,682,000	9,058,333
Shares underlying options outstanding	13,655,000	5,677,000	13,655,000	5,677,000
Shares underlying warrants outstanding	14,646,021	18,218,146	49,135,602	18,218,146
Unvested restricted stock		150,000		150,000

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Recent Accounting Pronouncements

In September 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

Inventories consist of the following:

	September 30, 2011	December 31, 2010
Raw materials	$ 165,159	$ 129,863
Finished goods	150,772	129,076
Total	$ 315,931	$ 258,939

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).

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 September 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 September 30, 2011				
Assets				
Cash and cash equivalents	$ 14,840,392	$	$	$ 14,840,392
Liabilities				
Warrant liability	$	$	$ 7,509,630	$ 7,509,630
Derivative liability			1,056,920	1,056,920

Total	$	$	$ 8,566,550	$ 8,566,550

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	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				
Assets				
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	(4,841,519)
Change in fair value of warrant liability	(814,676)
Balance at September 30, 2011	$ 7,509,630

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 9 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	308,060
Conversion of preferred stock	(7,237,210)
Change in fair value of derivative liability	5,865,710
Balance at September 30, 2011	$ 1,056,920

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 8 for further discussion of the derivative liability.

Note 6 Accrued Expenses
Accrued expenses consist of the following:

	September 30, 2011	December 31, 2010
Accrued professional fees	$ 622,517	$ 413,384
Accrued compensation	73,996	7,076
Dividend on preferred stock payable	63,867	191,417
License fee	584,000	
Accrued other	103,595	177,605
Total	$ 1,447,975	$ 789,482

Note 7 Debt
Since the Company consummated a single offering of at least $10 million in August 2011, certain note holders were entitled to a mandatory redemption of the outstanding principal plus any interest payable in cash within three business days of the consummation. Approximately 21% of the original note of $6.0 million had a mandatory redemption requirement. Approximately $1.7 million including interest was paid in the third quarter after consummation of the offering. The remaining note holders signed amendments to their notes raising the mandatory redemption for a single offering or a series of offerings within a six-month period from $10 million to $30 million. The promissory note is due June 2012.
Total debt is comprised of the following:

	September 30, 2011	December 31, 2010
Current debt	$ 6,394,532	$ 56,911
Total current debt	6,394,532	56,911
Long-term debt		7,290,881
Total debt	$ 6,394,532	$ 7,347,792

Note 8-Equity
Common Stock Private Placements
On August 3, 2011, the Company entered into agreements with certain accredited investors, pursuant to which the Company agreed to sell to the purchasers an aggregate of 41,409,461 shares of Company common stock at a purchase price of $0.55 per share in a private placement. Each purchaser also received 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 $22.8 million. As of September 30, 2011, there was a subscription receivable of $2.0 million of which $1.5 million was received subsequent to September 30, 2011. The placement agents for the transaction received cash compensation of $1.6 million and warrants to purchase 1,252,761 shares of Company common stock at an exercise price of $0.5454 and fair value of $440,330. Issuance costs of $1.6 million were netted against the gross proceeds.
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 eight 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.

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The Company records accrued dividends at a rate of 6% per annum on the Series A, Series B and Series D Preferred. As of September 30, 2011, $63,867 was accrued for dividends payable. The Company paid cash of $254,846 and $559,229 during the three and nine months ended September 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 are subject to the down-round protection and if at any time while the Series D Preferred or warrants are outstanding, the Company sells or grants any option to purchase or sells or grants any right to reprice, or otherwise disposes of or issues (or announces 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 by the Company 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.

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, Derivatives and Hedging, (ASC 815) in the consolidated balance sheet as of September 30, 2011 and December 31, 2010. As of September 30, 2011 the derivative liability was re-measured resulting in income of $2,316,428 for the three months ended September 30, 2011 and expense of $5,865,710 for the nine months ended September 30, 2011 in our statement of operations. 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 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:

	September 30, 2011	**December 31, 2010**
Expected life (years)	1.4 years	1.6 years
Interest rate	0.3%	1.3%
Dividend yield		
Volatility	61%	63%

Note 9 Warrants

We account for stock warrants as either equity instruments or derivative liabilities depending on the specific terms of the warrant agreement. Stock warrants are accounted for as a derivative in accordance with ASC 815 if the stock warrants contain down-round protection and therefore, do not meet the scope exception for treatment as a derivative. 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 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.

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

	Number of Warrants		Exercise Price	Expiration Dates		Warrant liability Balance as of September 30, 2011
Liability-classified warrants						
Issued in Series A Preferred Stock offering	3,256,492	$	0.50	Oct. 2014	$	645,762
Issued in March 2010 offering	4,917,602		0.50	Mar. 2015		1,031,574
Issued in Series B Preferred Stock offering	9,616,086		0.50	Jul.-Nov. 2015		2,146,514
Issued in Series D Preferred Stock offering	15,446,640		0.50	Dec. 2015-Mar. 2016		3,685,780
	33,236,820				$	7,509,630
Equity-classified warrants						
Issued in June 2011 equity financing	152,711	$	0.90	June 2016		
Issued to placement agents in August 2011 equity financing	1,252,761		0.5454	August 2016		
Issued in August 2011 equity financing	14,493,310		0.75	August 2016		
	15,898,782					
Total	49,135,602					

There were 890,564 and 4,837,291 warrants exercised for the three and nine months ended September 30, 2011 which resulted in receipts of $445,282 and $2,418,646, respectively, and the issuance of 890,564 and 4,837,291 shares of common stock. In addition, there were no cashless warrants and 6,387,235 cashless warrants exercised for the three and nine months ended September 30, 2011, respectively, which resulted in the issuance of zero and 3,572,971 shares of common stock for the three and nine months ended September 30, 2011, respectively.

Liability-classified 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 option-pricing model, is estimated to be $0.45 per warrant.

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

	September 30, 2011	December 31, 2010
Expected life (years)	4.3 years	4.7 years
Interest rate	0.7%	1.8%

Dividend yield		
Volatility	61%	63%

All liability-classified warrants have an exercise price of $0.50 per share as a result of the December 2010 Series D Preferred Stock financing transaction.

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Equity-classified Warrants

In connection with the private placement transaction on August 3, 2011, the Company issued warrants to purchase 14,493,310 shares of the Company common stock to certain accredited investors 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. The placement agents for the transaction received warrants to purchase 1,252,761 shares of Company common stock at an exercise price of $0.5454. The Company determined the average fair value of the warrants as of the date of the grant was $0.31 per share utilizing the Black-Scholes option pricing model. In estimating the fair value of the warrants, the Company utilized the following inputs: closing price per share of common stock of $0.63, volatility of 61.4%, expected term of 5 years, risk-free interest rate of 1.25% and dividend yield of zero.

On June 16, 2011, the Company completed a private placement and issued warrants to the placement agents in the private placement to purchase 152,711 shares of Company common stock at an exercise price of $0.90 per share. The Company determined the fair value of the warrants as of the date of the grant was $0.62 per share utilizing the Black-Scholes option pricing model. In estimating the fair value of the warrants, the Company utilized the following inputs: closing price per share of common stock of $1.08, volatility of 61.6%, expected term of 5 years, risk-free interest rate of 1.52% and dividend yield of zero.

Note 10 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 September 30, 2011	September 30, 2010
Stock option compensation expense for employees and directors	$ 225,235	$ 183,231
Restricted stock expense	12,000	18,000
Equity awards for nonemployees issued for services		7,724
Total stock-based compensation expense	$ 237,235	$ 208,955

	Nine months ended September 30, 2011	September 30, 2010
Stock option compensation expense for employees and directors	$ 2,303,289	$ 729,619
Restricted stock expense	48,000	54,000
Equity awards for nonemployees issued for services	288,676	59,321
Total stock-based compensation expense	$ 2,639,965	$ 842,940

	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	9,598,000	$ 0.72			
Exercised	(600,000)	$ 0.75			
Forfeited	(1,020,000)	$ 0.77			
Outstanding at September 30, 2011	13,655,000	$ 0.77	8.59	$	600
Exercisable at September 30, 2011	8,390,642	$ 0.79	8.19	$	

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The total fair value of shares vested during the nine months ended September 30, 2011 was $3.8 million. As of September 30, 2011, there was $1.9 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 1.6 years. As of September 30, 2011, there was approximately $0.1 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 September 30, 2011 and 2010, the weighted average fair market value using the Black-Scholes option-pricing model of the options granted was $0.36 and $0.34, 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:

	September 30, 2011	September 30, 2010
Expected life (years)	6.0 years	4.9 years
Interest rate	2.4%	1.5%
Dividend yield		
Volatility	61%	63%

There were 600,000 cashless stock options exercised during the year ended September 30, 2011, which resulted in the issuance of 246,141 shares of common stock.

Note 11 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:

Three Months Ended September 30, 2011

	Segment		
	Fibrocell Therapy	Agera	Consolidated
Total operating revenue	$	$ 159,400	$ 159,400
Depreciation and amortization expense	63,112		63,112
Segment income (loss) from continuing operations	$ 6,959,721	$ (37,809)	$ 6,921,912

Nine Months Ended September 30, 2011

	Segment		
	Fibrocell Therapy	Agera	Consolidated
Total operating revenue	$	$ 621,310	$ 621,310
Depreciation and amortization expense	75,702		75,702
Segment income (loss) from continuing operations	$ (20,245,651)	$ 21,852	$ (20,223,799)

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Three Months Ended September 30, 2010

	Segment		
	Fibrocell Therapy	Agera	Consolidated
Total operating revenue	$	$ 243,677	$ 243,677
Depreciation and amortization expense	2,472		2,472
Segment income (loss) from continuing operations	$ (1,816,681)	$ 24,210	$ (1,792,471)

Nine Months Ended September 30, 2010

	Segment		
	Fibrocell Therapy	Agera	Consolidated
Total operating revenue	$	$ 716,809	$ 716,809
Depreciation and amortization expense	5,612		5,612
Segment income (loss) from continuing operations	$ (8,219,599)	$ 13,722	$ (8,205,877)

Geographical information concerning the Company s revenue is as follows:

	Revenue	
	Three months ended September 30, 2011	Three months ended September 30, 2010
United States	$ 47,454	$ 54,367
United Kingdom	123,786	181,931
Other	(11,840)	7,379
Total	$ 159,400	$ 243,677

	Revenue			
	Nine months ended September 30, 2011		Nine months ended September 30, 2010	
United States.	$	142,926	$	176,215
United Kingdom		389,359		472,721
Other		89,025		67,873
Total	$	621,310	$	716,809

During the three months ended September 30, 2011, revenue from one foreign customer and one domestic customer represented 78% and 20% of consolidated revenue, respectively. 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 nine months ended September 30, 2011, revenue from one foreign customer and one domestic customer represented 63% and 16% of consolidated revenue, respectively. 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.

As of September 30, 2011 and December 31, 2010, one foreign customer represented 66% and 88%, respectively, of accounts receivable, net.

	Segment		
Segment assets:	Fibrocell Therapy	Agera	Consolidated
September 30, 2011	$ 23,261,939	$ 574,079	$ 23,836,018
December 31, 2010	7,681,502	596,643	8,278,145

Note 12 Subsequent Events

The Company announced on October 3, 2011, that it has begun the launch of LAVIV in major metropolitan areas throughout the U.S. LAVIV was recently named a 2011 Allure Best of Beauty Award winner in the magazine s annual cover story (October 2011 issue).

Subsequent to September 30, 2011, the Company received an additional $1.5 million, leaving a balance of $0.5 million due from the August private placement.

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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 commercialize and sell our recently approved FDA product, LAVIV (LAVIV);
- 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 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 acne scars, burn scars, periodontal disease, reconstructive dentistry, 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 lead product, LAVIV (United States adopted name, or USAN, is azficel-T), is the first and only personalized aesthetic cell therapy approved by the FDA for the improvement of the appearance of moderate to severe nasolabial fold wrinkles in adults.

During 2009 we completed a Phase II/III study for the treatment of acne scars. We announced on November 3, 2011, that the first scientific presentation of data demonstrating the efficacy of LAVIV (azficel-T) in treating moderate-to-severe depressed acne scars was presented at the American Society for Dermatologic Surgery (ASDS) annual meeting in Washington, D.C. 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 September 30, 2011 compared to the Three Months Ended September 30, 2010

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

	Three months ended September 30,		Increase (Decrease)	
	2011	2010	$000s	%
	(in thousands)			
Total revenue	$ 159	$ 244	$ (85)	(35)%
Cost of sales	96	119	(23)	(19)%
Gross profit	$ 63	$ 125	$ (62)	(50)%

The revenue for Agera decreased less than $0.1 million to $0.2 million for the three months ended September 30, 2011, as compared to $0.2 million for the three months ended September 30, 2010. As a percentage of revenue, Agera s cost of sales were approximately 61% for the three months ended September 30, 2011 and 49% for the three months ended September 30, 2010. Cost of sales as a percentage of revenue was higher for the three months ended September 30, 2011 due to a write down of inventories in September 2011.

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

	Three months ended September 30,		Increase (Decrease)	
	2011	2010	$000s	%
	(in thousands)			
Compensation and related expense	$ 798	$ 605	$ 193	32%
External services consulting	135	271	(136)	(50)%
Marketing expense	1,572	7	1,565	22,357%
License fees	598	6	592	9,867%
Facilities and related expense and other	818	694	124	18%
Total selling, general and administrative expense	$ 3,921	$ 1,583	$ 2,338	148%

Selling, general and administrative expense increased $2.3 million to $3.9 million for the three months ended September 30, 2011 as compared to $1.6 million for the three months ended September 30, 2010. The increase is due primarily to an increase in marketing expense of $1.6 million in preparation of the launch of LAVIV, an increase in license fees of $0.6 million for FDA product and establishment fees and an increase of $0.1 million in office costs.

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

	Three months ended September 30,		Increase (Decrease)	
	2011	2010	$000s	%
	(in thousands)			
Compensation and related expense	$ 494	$ 426	$ 68	16%
External services consulting	497	527	(30)	(6)%
Lab costs and related expense	381	206	175	85%
Facilities and related expense and other	521	228	293	129%
Total research and development expense	$ 1,893	$ 1,387	$ 506	36%

Research and development expense increased $0.5 million to $1.9 million for the three months ended September 30, 2011 from $1.4 million for the three months ended September 30, 2010. The increase is due primarily to a $0.2 million increase in lab supplies, a $0.2 million increase in contract labor and a $0.1 million increase in depreciation. Research and development costs are composed primarily of quality and manufacturing costs in connection with LAVIV which was recently approved by the FDA. As we begin selling LAVIV these costs will appear as cost of goods sold on the statements of operations. There are also other 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 September 30, 2011 increased by approximately $0.1 million, or 25%, from the three months ended September 30, 2010. Our interest expense for the period is related to the notes we issued in connection with our bankruptcy plan. Pursuant to the terms of the notes we have been accreting the interest due to the principal on the notes at the rate of 15% per annum.

Change in Revaluation of Warrant and Derivative Liability. During the three months ended September 30, 2011, we recorded non-cash income of $10.6 million and $2.3 million for warrant income and derivative revaluation income, respectively, in our statements of operations due to a decrease in the fair value of the warrant liability and derivative liability related to the Series A, B and D preferred stock financings. This decrease in fair value was primarily due to a decrease in the price per share of our common stock on September 30, 2011 as compared to June 30, 2011. During the three months ended September 30, 2010, we recorded non-cash income of $1.3 million for warrant income 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 income/(loss) attributable to common shareholders. Net income attributable to common shareholders increased approximately $8.7 million to a net income of $6.9 million for the three months ended September 30, 2011, as compared to a net loss of $1.8 million for the three months ended September 30, 2010 primarily due to a decrease in the fair value of the warrant liability and derivative liability related to the Series A, B and D preferred stock financings, offset by an increase in operating expenses related to the LAVIV product approval in June 2011 and product launch in October 2011.

Nine Months Ended September 30, 2011 compared to the Nine Months Ended September 30, 2010

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

	Nine months ended September 30, 2011	Nine months ended September 30, 2010	Increase (Decrease) $000s	Increase (Decrease) %
	(in thousands)			
Total revenue	$ 621	$ 717	$ (96)	(13)%
Cost of sales	320	395	(75)	(19)%
Gross profit	$ 301	$ 322	$ (21)	(7)%

The revenue for Agera decreased $0.1 million to $0.6 million for the nine months ended September 30, 2011 as compared to $0.7 million for the nine months ended September 30, 2010. As a percentage of revenue, Agera cost of sales were approximately 52% for the nine months ended September 30, 2011 and 55% for the nine months ended September 30, 2010. Cost of sales as a percentage of revenue was higher for the nine months ended September 30, 2010 due to a write down of inventories.

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

	Nine months ended September 30, 2011	Nine months ended September 30, 2010	Increase (Decrease) $000s	Increase (Decrease) %
	(in thousands)			
Compensation and related expense	$ 3,792	$ 2,328	$ 1,464	63%
External services consulting	530	723	(193)	(27)%
Marketing expense	2,319	146	2,173	1,488%
License fees	639	17	622	3,659%
Facilities and related expense and other	2,261	2,211	50	2%
Total selling, general and administrative expense	$ 9,541	$ 5,425	$ 4,116	76%

Selling, general and administrative expense increased $4.1 million to $9.5 million for the nine months ended September 30, 2011 as compared to $5.4 million for the nine months ended September 30, 2010. The increase consists of an increase in stock compensation expense of $1.7 million and an increase in salaries of $0.1 million, offset by a decrease of $0.3 million due primarily to no bonuses accrued in 2011. There was an increase in marketing expense of $2.2 million in preparation of the launch of LAVIV and an increase in license fees of $0.6 million for FDA product and establishment fees. Consulting fees decreased $0.2 million due to the hiring of key personnel.

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

	Nine months ended September 30,		Increase (Decrease)	
	2011	2010	$000s	%
	(in thousands)			
Compensation and related expense	$ 1,489	$ 1,196	$ 293	25%
External services consulting	1,540	1,540	0	0%
Lab costs and related expense	1,137	657	480	73%
Facilities and related expense	945	661	284	43%
Total research and development expense	$ 5,111	$ 4,054	$ 1,057	26%

Research and development expense increased $1.0 million to $5.1 million for the nine months ended September 30, 2011 as compared to $4.1 million for the nine months ended September 30, 2010. The increase is primarily due to an increase of $0.3 million in compensation and related expense, an increase of $0.5 million for lab costs and $0.2 million for contract labor as the Company prepares for the launch of the product LAVIV. Research and development costs are composed primarily of quality and manufacturing costs in connection with LAVIV which was recently approved by the FDA. As we begin selling LAVIV these costs will appear as cost of goods sold on the statements of operations. There are also other 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, 2011, for the Successor Company was $12.4 million.

Interest Income (Expense). Interest expense for the nine months ended September 30, 2011 increased by $0.2 million, or 34%, from the nine months ended September 30, 2010. Our interest expense for the period is related to the notes we issued in connection with our bankruptcy plan. Pursuant to the terms of the notes we have been accreting the interest due to the principal on the notes at the rate of 15% per annum.

Change in Revaluation of Warrant and Derivative Liability. During the nine months ended September 30, 2011, we recorded non-cash income of $0.8 million and a non-cash loss of $5.9 million for warrant income and derivative revaluation expense, respectively, in our statements of operations due to an decrease in the fair value of the warrant liability and derivative liability related to the Series A, B and D preferred stock financings. This decrease in fair value was primarily due to a decrease in the price per share of our common stock on September 30, 2011 as compared to December 31, 2010. During the nine months ended September 30, 2010, we recorded non-cash income of $1.6 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 decreased approximately $12.0 million to a net loss of $20.3 million for the nine months ended September 30, 2011, as compared to a net loss of $8.3 million for the nine months ended September 30, 2010 primarily due to a decrease in the fair value of the warrant liability and derivative liability related to the Series A, B and D preferred stock financings, offset by an increase in operating expenses related to the LAVIV product approval in June 2011 and product launch in October 2011, as well as the other items discussed above.

Liquidity and Capital Resources

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

	Nine Months Ended September 30,	
	2011	2010
	(in thousands)	
Statement of Cash Flows Data:		
Total cash provided by (used in):		
Operating activities	$ (12,279)	$ (6,931)
Investing activities	(786)	(30)
Financing activities	27,034	5,800

Operating Activities. Cash used in operating activities during the nine months ended September 30, 2011 amounted to $12.3 million, an increase of $5.3 million over the nine months ended September 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 $3.5 million, in addition to operating cash outflows from changes in operating assets and liabilities.

Investing Activities. Cash used in investing activities during the nine months ended September 30, 2011 amounted to $0.8 million due to the purchase of property and equipment for the lab facility in Exton, Pennsylvania in preparation of the launch.

Financing Activities. There were $27.0 million cash proceeds received from financing activities during the nine months ended September 30, 2011, as compared to $5.8 million received from financing activities during the nine months ended September 30, 2010. During the nine months ended September 30, 2011 and 2010, we raised cash of $28.9 million and $6.0 million, respectively from the issuance of common stock, preferred stock and warrants, offset by principal debt payments of $1.3 million and dividend payments of $0.6 million.

Working Capital

As of September 30, 2011, we had cash and cash equivalents of $14.8 million and working capital of $7.9 million. On August 3, 2011, the Company entered into agreements to raise $22.8 million in a private placement. As of September 30, 2011, the Company received $19.1 million, net of fees, with $2.0 million subscription receivable outstanding related to the August 2011 private placement. Subsequent to September 30, 2011, the Company has received an additional amount of $1.5 million, leaving a balance of $0.5 million due.

Debt

Since the Company consummated a single offering of at least $10 million in August 2011, certain note holders were entitled to a mandatory redemption of the outstanding principal plus any interest payable in cash within three business days of the consummation. Approximately 21% of the original notes of $6.0 million had a mandatory redemption requirement. Approximately $1.7 million including interest was paid in the third quarter after consummation of the offering. The remaining note holders signed amendments to their notes raising the mandatory redemption for a single offering or a series of offerings within a six-month period from $10 million to $30 million. The promissory notes are due June 2012.

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 September 30, 2011.

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

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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.

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 September 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
4.1	Form of Common Stock Purchase Warrant issued in August 2011 financing (incorporated by reference to Exhibit 4.1 to the Form 8-K filed August 4, 2011)
10.1	Securities Purchase Agreement dated August 3, 2011 (incorporated by reference to Exhibit 4.1 to the Form 8-K filed August 4, 2011)
10.2	Registration Rights Agreement dated August 3, 2011 (incorporated by reference to Exhibit 4.1 to the Form 8-K filed August 4, 2011)
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: November 14, 2011