Fibrocell Science, Inc.
Form 10-Q
May 14, 2010

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

FORM 10-Q

þ **Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the quarterly period ended March 31, 2010
OR

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

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

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

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes o No o

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

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

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 May 11, 2010, issuer had 19,768,676 shares issued and outstanding of common stock, par value $0.001.

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PART I FINANCIAL INFORMATION

ITEM 1. Financial statements.

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

	March 31, 2010	December 31, 2009
Assets		
Current assets:		
Cash and cash equivalents	$ 2,463,445	$ 1,362,488
Accounts receivable, net	273,713	269,759
Inventory, net	259,746	226,032
Prepaid expenses and other current assets	414,457	525,024
Total current assets	3,411,361	2,383,303
Property and equipment, net of accumulated depreciation of $852 and $0, respectively	25,483	
Other assets	250	250
Intangible assets	6,340,656	6,340,656
Total assets	$ 9,777,750	$ 8,724,209
Liabilities, Redeemable Preferred Stock, Shareholders Deficit and Noncontrolling Interest		
Current liabilities:		
Current debt	$ 27,522	$ 47,795
Accounts payable	221,136	245,023
Accrued expenses	1,203,897	544,260
Total current liabilities	1,452,555	837,078
Long-term debt	6,000,060	6,000,060
Deferred tax liability	2,500,000	2,500,000
Warrant liability	4,943,232	635,276
Other long-term liabilities	340,809	369,210
Total liabilities	15,236,656	10,341,624
Commitments and contingencies		
Redeemable preferred stock series A, $1,000 par value; 9,000 shares authorized; 3,250 shares issued	2,462,809	2,511,070
Equity		
Fibrocell Science, Inc. shareholders deficit:		
Successor common stock, $.001 par value; 250,000,000 shares authorized	19,769	14,692

Additional paid-in capital	1,442,727	508,347
Accumulated deficit during development stage	(9,797,824)	(5,049,999)
Total Fibrocell Science, Inc. shareholders deficit	(8,335,328)	(4,526,960)
Noncontrolling interest	413,613	398,475
Total deficit and noncontrolling interest	(7,921,715)	(4,128,485)
Total liabilities, redeemable preferred stock, shareholders deficit and noncontrolling interest	$ 9,777,750	$ 8,724,209

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

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

	Successor	Successor Cumulative period from September 1, 2009 (date of inception) to March 31, 2010	Predecessor	Predecessor Cumulative period from December 28, 1995 (date of inception) to August 31, 2009
	For the three months ended March 31, 2010		For the three months ended March 31, 2009	
Revenue				
Product sales	$ 209,070	$ 539,011	$ 158,889	$ 4,818,994
License fees				260,000
Total revenue	209,070	539,011	158,889	5,078,994
Cost of sales	100,519	282,567	63,790	2,279,335
Gross profit	108,551	256,444	95,099	2,799,659
Impairment of long-lived assets				6,732,754
Selling, general and administrative expenses	2,019,913	4,728,269	1,199,564	78,072,766
Research and development expenses	1,192,610	3,015,806	1,007,907	56,269,869
Operating loss	(3,103,972)	(7,487,631)	(2,112,372)	(138,275,730)
Other income (expense)				
Interest income		1	240	6,989,539
Reorganization items, net	3,303	(69,174)		73,538,984
Other income				316,338
Warrant expense	(1,417,244)	(1,736,328)		
Interest expense	(197,730)	(444,904)	(972,875)	(18,790,218)
Loss from continuing operations before income taxes	(4,715,643)	(9,738,036)	(3,085,007)	(76,221,087)
Income tax benefit				190,754
Loss from continuing operations	(4,715,643)	(9,738,036)	(3,085,007)	(76,030,333)
Loss from discontinued operations, net of tax	(17,044)	(29,157)	(26,500)	(41,091,311)
Net loss	(4,732,687)	(9,767,193)	(3,111,507)	(117,121,644)

Deemed dividend associated with beneficial conversion				(11,423,824)
Preferred stock dividends				(1,589,861)
Plus/(less): Net loss/(income) attributable to noncontrolling interest	(15,138)	(30,631)	13,929	1,799,523
Net loss attributable to Fibrocell Science, Inc. common shareholders	$ (4,747,825)	$ (9,797,824)	$ (3,097,578)	$ (128,335,806)
Per share information:				
Loss from continuing operations-basic and diluted	$ (0.30)	$ (0.65)	$ (0.08)	$ (4.30)
Loss from discontinued operations-basic and diluted				(2.32)
Income 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	$ (0.30)	$ (0.65)	$ (0.08)	$ (7.26)
Weighted average number of basic and diluted common shares outstanding	15,806,989	14,994,710	37,663,283	17,678,219

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

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

	Series A Preferred Stock		Series B Preferred Stock		Common Stock		Additional Paid-In Capital	Treasury Stock		Accumulated Other Comprehensive Income	Accumulated Deficit During Development Stage	Total Shareholders Equity (Deficit)
	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount		Number of Shares	Amount			
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		Series B Preferred Stock		Common Stock		Additional	Treasury Stock		Accumulated Other	Accumulated Deficit	Total
	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Paid-In Capital	Number of Shares	Amount	Comprehensive Income	During Development Stage	Shareholders Equity (Deficit)
Issuance of common stock for services on 7/1/01	$	$			156,960	$ 157	$ (101)		$	$	$	$ 56
Issuance of common stock for services on 7/1/01					125,000	125	(80)					45
Issuance of common stock for capitalization of accrued salaries on 8/10/01					70,000	70	328,055					328,125
Issuance of common stock for conversion of convertible debt on 8/10/01					1,750,000	1,750	1,609,596					1,611,346
Issuance of common stock for conversion of convertible shareholder notes payable on 8/10/01					208,972	209	135,458					135,667
Issuance of common stock for bridge financing on 8/10/01					300,000	300	(192)					108
Retirement of treasury stock on 8/10/01							(50,280)	(2,400)	50,280			
Issuance of common stock for net assets of Gemini on					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		Series B Preferred Stock		Common Stock			Treasury Stock		Accumulated	Accumulated Deficit	Total
	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Additional Paid-In Capital	Number of Shares	Amount	Other Comprehensive Income	During Development Stage	Shareholders Equity (Deficit)
Uncompensated contribution of services 3rd quarter		$		$		$	$ 55,556		$	$	$	$ 55,556
Issuance of common stock for services on 11/1/01					145,933	146	218,754					218,900
Uncompensated contribution of services 4th quarter							100,000					100,000
Net loss											(1,652,004)	(1,652,004)
Balance, 12/31/01 (Predecessor)		$		$	15,189,563	$ 15,190	$ 5,321,761		$	$	$ (4,284,551)	$ 1,052,400
Uncompensated contribution of services 1st quarter							100,000					100,000
Issuance of preferred stock for cash on 4/26/02	905,000	905					2,817,331					2,818,236
Issuance of preferred stock for cash on 5/16/02	890,250	890					2,772,239					2,773,129
Issuance of preferred stock for cash on 5/31/02	795,000	795					2,473,380					2,474,175
Issuance of preferred stock for cash on 6/28/02	229,642	230					712,991					713,221
Uncompensated contribution of services 2nd							100,000					100,000

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

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	Series A Preferred Stock		Series B Preferred Stock		Common Stock		Additional	Treasury Stock		Accumulated	Accumulated Deficit	Tot
	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Paid-In Capital	Number of Shares	Amount	Other Comprehensive Income	During Development Stage	Shareh 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 pensated ution of s 1st					(79,382)	(79)	(119,380)					(11
e of							100,000					10
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 pensated ution of s 2nd					114,598	114	(114)					
e of							100,000					10
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										
rd qtr					202,500	202	309,798			3
e of										
n stock										
n on										
					3,359,331	3,359	18,452,202			18,4
sion of										
ed stock										
mmon										
d qtr	(2,967,553)	(2,967)	(155,750)	(156)	7,188,793	7,189	(82,875)			(
sion of										
ts into										
n										
d qtr					212,834	213	(213)			
nsation										
e on										
ts issued										
nployees							412,812			4
e of										
n stock										
th qtr					136,500	137	279,363			2
sion of										
ts into										
n										
th qtr					393					
ehensive										
:										
s									(11,268,294)	(11,2
hensive										
, foreign										
y										
ion										
ment								360,505		3
ehensive										
										(10,9
e,										
03										
cessor)	$		$		26,672,192	$ 26,672	$ 50,862,258	$	$ 374,380	$ (33,999,585)	$	17,2

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

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

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

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

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

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

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

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

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		Sha
	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Paid-In Capital	Number of Shares	Amount	Comprehensive Income (Loss)	Development Stage	Noncontrolling Interest	
ion													
ued													
yees st							39,742						
ion													
rds													
and qtr							448,067						
ion													
ock													
st qtr							88						
ock													
with stock tr					15,000	15	23,085						
with n of tock qtr							1,178,483						
ion													
ued													
yees nd							39,981						
ion							462,363						
rds													

and qtr on						
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nd qtr on			88			
ds						
and qtr on			478,795			
ock						
rd qtr			88			
ock se of qtr	492,613	493	893,811			
ock t of ts rd	6,767,647	6,767	13,745,400			1
ock						
with stock tr on	1,666	2	3,164			
ds						
and qtr on			378,827			
ock						
th qtr sive			88			
					(35,573,114)	(246,347) (1
				846,388		
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		Series B Preferred Stock		Common Stock		Additional	Treasury Stock		Accumulated Other	Accumulated Deficit During	
	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Paid-In Capital	Number of Shares	Amount	Comprehensive Income (Loss)	Development Stage	Noncontrolling Interest
ted to s 1		$		$		$	$ 44,849		$		$	$
ion to							151,305					
h f k							1,262,815					
k					(165)	(1)						
ted to s 2nd							62,697					
ion to r							193,754					
ted to s 3rd							166,687					
ion to qtr							171,012					
							(86,719)					
ted												

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(2,152,569)

1,433,643

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		Series B Preferred Stock		Common Stock		Additional	Treasury Stock		Accumulated Other	Accumulated Deficit During		
	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Paid-In Capital	Number of Shares	Amount	Comprehensive Income (Loss)	Development Stage	Noncontrolling Interest	
ion vested ted to vees 1 qtr	$	$		$		$	1,746		$	$	$	$	$
ion option ed to and qtr of debt on stock 9					37,564	38	138,798 343,962						
ion option ed to and nd qtr of debt on stock 9					1,143,324	1,143	112,616 10,468,857						
ion option ed to and months 09 expense ellation ssued to and							35,382						
2 months 09 sive							294,912						
											65,721,531	205,632	
sive													

1/09											
r)	$	$ 42,820,380	$ 42,820	$ 142,737,500	4,000,000	$ (25,974,000)	$	$ (128,335,806)	$ 382,982	$	(1
n of											
common											
esh start											
		(42,820,380)	(42,820)	(150,426,331)	(4,000,000)	25,974,000					(12
of											
d deficit											
ulated											
rehensive											
								128,335,806			12
/09											
r)	$	$	$	$ (7,688,831)		$	$	$	$ 382,982	$	
n shares											
stock in											
with											
from											
		11,400,000	11,400	5,460,600							
/09											
	$	$ 11,400,000	$ 11,400	$ (2,228,231)		$	$	$	$ 382,982	$	
shares of											
ock in											
with the											
ng		2,666,666	2,667	1,797,333							
common											
t. 28,											
		25,501	25	58,627							
ion											
shares											
nt		600,000	600	167,400							
ion											
option											
ed to											
				326,838							
ion											
option											
ed to											
vees				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		Series B Preferred Stock		Common Stock		Additional Paid-In Capital	Accumulated Treasury Stock		Accumulated Other Comprehensive Income (Loss)	Deficit During Development Stage	Noncontrolling Interest	Total Equity (Deficit)
	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount		Number of Shares	Amount				
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							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
Comprehensive loss:													
Net loss											(4,747,825)	15,138	(4,732,687)
Comprehensive loss													(4,732,687)
Balance 3/31/10 (Successor)	$	$			19,768,831	$ 19,769	$ 1,442,727	$	$	$	(9,797,824)	$ 413,613	$ (7,921,715)

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

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

	Successor		Predecessor	
	Three months ended March 31, 2010	Cumulative period from September 1, 2009 (date of inception) to March 31, 2010	Three months ended March 31, 2009	Cumulative period from December 28, 1995 (date of inception) to August 31, 2009
Cash flows from operating activities:				
Net loss	$ (4,747,825)	$ (9,797,824)	$ (3,097,578)	$ (115,322,121)
Adjustments to reconcile net (loss) income to net cash used in operating activities:				
Reorganization items, net		72,477		(74,648,976)
Expense related to equity awards and issuance of stock	360,768	1,241,986	140,544	10,608,999
Warrant expense	1,417,244	1,736,328		
Uncompensated contribution of services				755,556
Depreciation and amortization	852	852		9,091,990
Provision for doubtful accounts	(4,948)	(51,567)	252	337,810
Provision for excessive and/or obsolete inventory	(34,532)	(22,868)		259,427
Amortization of debt issue costs			187,310	4,107,067
Amortization of debt discounts on investments				(508,983)
Loss on disposal or impairment of property and equipment				17,668,477
Foreign exchange (gain) loss on substantial liquidation of foreign entity	2,448	(166)	20,156	(2,256,408)
Net (loss) income attributable to non-controlling interest	15,138	30,631	(13,929)	(1,799,523)
Change in operating assets and liabilities, excluding effects of acquisition:				
Decrease (increase) in accounts receivable	994	24,538	48,378	(91,496)
Decrease (increase) in other receivables	(88)	4,652	10,587	218,978
Decrease (increase) in inventory	818	31,741	(1,605)	(455,282)
Decrease (increase) in prepaid expenses	110,650	(134,255)	211,212	34,341
Decrease in other assets		4,120		71,000
Increase (decrease) in accounts payable	(23,887)	83,735	(225,214)	57,648
Increase in accrued expenses, liabilities subject to compromise and other liabilities	583,164	157,370	684,472	3,311,552
Decrease in deferred revenue			(7,522)	(50,096)

Net cash used in operating activities	(2,319,204)	(6,618,250)	(2,042,937)	(148,610,040)
Cash flows from investing activities:				
Acquisition of Agera, net of cash acquired				(2,016,520)
Purchase of property and equipment	(26,335)	(26,335)		(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	(26,335)	(26,335)		(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, net		2,870,000		12,931,800
Proceeds from the issuance of common stock, net	3,469,400	5,269,400		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	(20,273)	(42,164)	(23,492)	(79,319)
Cash dividends paid on preferred stock				(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 (used in) financing activities	3,449,127	8,097,236	(23,492)	170,137,276
Effect of exchange rate changes on cash balances	(2,631)	518	(19,829)	(36,391)
Net increase (decrease) in cash and cash equivalents	1,100,957	1,453,169	(2,086,258)	1,010,276
Cash and cash equivalents, beginning of period	1,362,488	1,010,276	2,854,300	
Cash and cash equivalents, end of period	$ 2,463,445	$ 2,463,445	$ 768,042	$ 1,010,276

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	Successor		Predecessor	
	Three months ended March 31, 2010	Cumulative period from September 1, 2009 (date of inception) to March 31, 2010	Three months ended March 31, 2009	Cumulative period from December 28, 1995 (date of inception) to August 31, 2009
Supplemental disclosures of cash flow information:				
Predecessor cash paid for interest	$	$	$	$ 12,715,283
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	48,260	91,000		
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			344,000	10,814,000
Predecessor equipment acquired through capital lease				167,154
Successor/Predecessor financing of insurance premiums		81,517		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
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 accrued warrant liability	2,890,711	3,206,903	

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

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

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

Background

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

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

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

Plan of Reorganization

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

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

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

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

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

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

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

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

matures June 1, 2012;

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

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

Trading of Common Stock

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

Note 2 Basis of Presentation, Business and Organization

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

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

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

review.

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

On December 21, 2009, Fibrocell received a Complete Response letter from the FDA related to the BLA for azficel-T, an autologous cell therapy for the treatment of moderate to severe nasolabial fold wrinkles in adults. A Complete Response letter is issued by the FDA s Center for Biologics Evaluation and Research (CBER) when the review of a file is completed and additional data are needed prior to approval. The Complete Response letter requested that Fibrocell Science provide data from a histopathological study on biopsied tissue samples from patients following injection of azficel-T. The letter also requested finalized Chemistry, Manufacturing and Controls (CMC) information regarding the manufacture of azficel-T as follow-up to discussions that occurred during the BLA review period, as well as revised policies and procedures. In addition, the Company has submitted a proposed protocol concerning a histopathological study on biopsied samples to the FDA and to the Company s Investigational Review Board (IRB). The IRB has approved the protocol and the Company received the comments from the FDA on the protocol in May 2010.

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

The FDA requested the comparative histological data from this study in a Complete Response letter issued to the Company on December 21, 2009 related to the Biologics License Application (BLA) for azficel-T for the treatment of moderate to severe nasolabial fold wrinkles in adults.

The histology study will evaluate tissue treated with azficel-T as compared to tissue treated with sterile saline (placebo). The study will also provide information about the skin after treatment, including evaluation of collagen and elastin fibrils, and cellular structure of the sampled tissues.

Basis of Presentation

For discussions on the results of operations, the Successor Company has compared the three months ended March 31, 2010 (Successor Company) to the three months ended March 31, 2009 (Predecessor Company). The Successor Company believes that the financial results provide management and investors a more meaningful analysis of the Successor Company s performance and trends for comparative purposes.

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

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

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Financial Reporting by Entities in Reorganization under the Bankruptcy Code

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

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

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

Note 3 Going Concern

The Successor Company emerged from Bankruptcy in September 2009 and continues to operate as a going concern. At March 31, 2010, the Successor Company had cash and cash equivalents of approximately $2.5 million and working capital of $2.0 million. In early March 2010, the Successor Company raised approximately $3.8 million less fees as a result of the issuance of common stock and warrants. The Successor Company believes that its existing capital resources are adequate to sustain its operation through approximately mid-June 2010. As such, the Successor Company will require additional cash resources prior to or during approximately mid-June 2010, or it will likely cease operations. The Successor Company will need to access the capital markets in the future in order to fund future operations. There is no guarantee that any such required financing will be available on terms satisfactory to the Successor Company or available at all. These matters create uncertainty relating to its ability to continue as a going concern. The accompanying consolidated financial statements do not reflect any adjustments relating to the recoverability and classification of assets or liabilities that might result from the outcome of these uncertainties. Further, if the Successor Company raises additional cash resources prior to mid-June 2010, it may be raised in contemplation of or in connection with bankruptcy. In the event of a bankruptcy, it is likely that its common stock and common stock equivalents will become worthless and our creditors will receive significantly less than what is owed to them.

Through March 31, 2010, the Successor Company has been primarily engaged in developing its initial product technology. In the course of its development activities, the Company has sustained losses and expects such losses to continue through at least 2010. During the three months ended March 31, 2010, the Successor Company financed its operations primarily through its existing cash, but as discussed above it now requires additional financing. There is substantial doubt about the Successor Company s ability to continue as a going concern.

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

As a result of the conditions discussed above, and in accordance with GAAP, there exists substantial doubt about the Successor Company s ability to continue as a going concern, and its ability to continue as a going concern is contingent, among other things, upon its ability to secure additional adequate financing or capital prior to or during approximately mid-June 2010. If the Successor Company does not obtain additional funding, or does not anticipate additional funding, prior to or during approximately mid-June 2010, it will likely enter into bankruptcy and/or cease operations. Further, if it does raise additional cash resources prior to mid-June 2010, it may be raised in contemplation of or in connection with bankruptcy. If the Successor Company enters into bankruptcy, it is likely that its common stock and common stock equivalents will become worthless and its creditors will receive significantly less than what is owed to them.

Note 4 Summary of Significant Accounting Policies

Use of Estimates

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

Cash and Cash Equivalents

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

Concentration of Credit Risk

As of March 31, 2010, the Successor Company maintains the majority of its cash primarily with one major U.S. domestic bank. The amounts held in this bank exceed the insured limit of $250,000. The terms of these deposits are on demand to minimize risk. The Successor Company has not incurred losses related to these deposits. Cash and cash equivalents of approximately $0.2 million, related to Agera and the Successor Company s Swiss subsidiary, is maintained in two separate financial institutions. The Successor Company invests these funds primarily in demand deposit accounts.

Allowance for Doubtful Accounts

The Successor Company maintains an allowance for doubtful accounts related to its accounts receivable that have been deemed to have a high risk of collectability. Management reviews its accounts receivable on a monthly basis to determine if any receivables will potentially be uncollectible. One foreign customer represents 86% and 87% of accounts receivable, net, at March 31, 2010 and December 31, 2009, respectively. Management analyzes historical collection trends and changes in its customer payment patterns, customer concentration, and creditworthiness when evaluating the adequacy of its allowance for doubtful accounts. In its overall allowance for doubtful accounts, the Successor Company includes any receivable balances that are determined to be uncollectible. Based on the information available, management believes the allowance for doubtful accounts is adequate; however, actual write-offs might exceed the recorded allowance.

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The allowance for doubtful accounts related to continuing operations was $32,150 and $37,098 at March 31, 2010 and December 31, 2009, respectively.

Inventory

Agera purchases the large majority of its inventory from one contract manufacturer. Agera accounts for its inventory on the first-in-first-out method. At March 31, 2010, Agera s inventory of $0.3 million consisted of $0.2 million of raw materials and $0.1 million of finished goods. At December 31, 2009, Agera s inventory of $0.2 million consisted of $0.2 million of raw materials and less than $0.1 million of finished goods.

Property and equipment

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

Intangible assets

Intangible assets are research and development assets related to the Successor Company s primary study that was recognized upon emergence from bankruptcy (see Note 5). Intangibles are tested for recoverability whenever events or changes in circumstances indicate the carrying amount may not be recoverable. An impairment loss, if any, would be measured as the excess of the carrying value over the fair value determined by discounted cash flows. There was no impairment of the intangible assets as of March 31, 2010.

Revenue recognition

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

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

Shipping and handling costs

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

Advertising cost

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

Research and development expenses

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

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

Warrant Liability

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

Stock-based Compensation

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

Income taxes

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

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

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

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Loss per share data

Basic 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. There were no potentially dilutive securities issued or outstanding for the three months ended March 31, 2010.

Fair Value of Financial Instruments

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

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

Adoption of Standards

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

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

Note 5 Fresh-Start Accounting

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

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

Fresh-start accounting reflects the value of the Successor Company as determined in the confirmed Plan. Under fresh-start accounting, the Successor Company s assets values are remeasured and allocated in conformity with ASC 805-20, Business Combinations, Identifiable Assets and Liabilities, and any Noncontrolling Interest. Fresh-start accounting also requires that all liabilities should be stated at fair value. The portion of the reorganization value which was attributed to identified intangible assets was $6,340,656. This value is related to research and development assets that are not subject to amortization. In accordance with ASC 805-20, this amount is reported as intangibles in the consolidated financial statements as of March 31, 2010, and is not being amortized.

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

	Predecessor August 31, 2009	Reclassifications And Plan of Reorganization	Fresh Start Accounting Adjustments	Successor September 1, 2009
Assets				
Current assets:				
Cash and cash equivalents	$ 1,010,277	$	$	$ 1,010,277
Accounts receivable, net	246,684			246,684
Inventory, net	268,619			268,619
Prepaid expenses	221,225			221,225
Other current assets	4,140			4,140
Current assets of discontinued operations, net	785			785
Total current assets	1,751,730			1,751,730
Intangible assets			6,340,656(e)	6,340,656
Other assets	1,671			1,671
Total assets	$ 1,753,401	$	$ 6,340,656	$ 8,094,057
Liabilities, Shareholders Equity/(Deficit) and Noncontrolling Interests				
Current liabilities:				
Current debt	$ 8,304	$	$	$ 8,304
Accounts payable	137,401			137,401
Accrued expenses	849,395			849,395
Liabilities subject to compromise	82,181,741	(82,181,741)(a)		
Prepetition secured loan, subject to compromise	500,471	(500,471)(b)		
Debtor-in-possession loan	2,750,000	(2,750,000)(b)		
Current liabilities of discontinued operations	25,668			25,668
Total current liabilities	86,452,980	(85,432,212)		1,020,768
Other long term liabilities of continuing operations	407,078			407,078
Notes payable		6,000,060(a)		6,000,060
Deferred tax liability			2,500,000(f)	2,500,000

Total liabilities	86,860,058	(79,432,152)	2,500,000	9,927,906
Commitments and contingencies				
Shareholders Equity (Deficit):				
Predecessor common stock	42,821	(42,821)(c)		
Predecessor additional paid-in capital	142,737,499	(25,931,179)(c)	(116,806,320)(g)	
Predecessor treasury stock	(25,974,000)	25,974,000(c)		
Successor common stock		11,400(a) (b)		11,400
Successor additional paid-in capital		5,460,600(a) (b)	(7,688,831)(g)	(2,228,231)
Accumulated deficit during development stage	(202,295,959)	73,960,152(a) (b) (c) (d)	128,335,807(g)	
Total shareholders equity (deficit)	(85,489,639)	79,432,152	3,840,656	(2,216,831)
Noncontrolling interest	382,982			382,982
Total equity (deficit) and noncontrolling interests	(85,106,657)	79,432,152	3,840,656	(1,833,849)
Total liabilities, shareholders equity/(deficit) and noncontrolling interests	$ 1,753,401	$	$ 6,340,656	$ 8,094,057

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Notes to Plan of Reorganization and fresh-start accounting adjustments

(a)	This adjustment reflects the discharge of liabilities subject to compromise in accordance with the Plan of Reorganization and the issuance of $6 million in Notes payable and the issuance of 4,080,000 shares of Successor Company common stock in satisfaction of such claims.
(b)	This adjustment reflects the discharge of prepetition loan and debtor in-possession loan in accordance with the Plan of Reorganization and the issuance of 7,320,000 shares of the Successor Company common stock in satisfaction of such claims.
(c)	This adjustment reflects the cancellation of the Predecessor Company s common stock, additional paid-in capital and treasury stock.
(d)	To reset accumulated deficit to zero for the consolidated subsidiaries included in the Plan of Reorganization.
(e)	This adjustment reflects the portion of the reorganization value which was attributed to identified intangible assets.
(f)	To record deferred tax liability as a result of the impact of fresh-start accounting fair value adjustments.
(g)	To reset Predecessor additional paid-in capital, accumulated deficit to zero and record net fresh-start adjustments.

Note 6 Liabilities Subject to Compromise and Reorganization Items

Liabilities subject to compromise refers to pre-petition obligations that were impacted by the Chapter 11 reorganization process. For further information regarding the discharge of liabilities subject to compromise, see Note 5- Fresh-Start Accounting in the notes of these Financial Statements. As of March 31, 2010, there were no liabilities subject to compromise.

The Company incurred certain professional fees and other expenses directly associated with the bankruptcy proceedings. In addition, the Company has made adjustments to the carrying value of certain prepetition liabilities. Such costs and adjustments are classified as reorganization items, net and are presented separately in the unaudited consolidated statements of operations. For the three months ended March 31, 2010, there was $13,150 in professional fees offset by the gain from discharge of a liability of $16,453.

Note 7 Agera Laboratories, Inc.

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

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Note 8 Accrued Expenses

Accrued expenses are comprised of the following:

	Successor	
	March 31, 2010	December 31, 2009
Accrued professional fees	$ 414,662	$ 147,410
Accrued compensation	146,691	7,208
Accrued interest	443,671	246,578
Dividend on preferred stock payable	91,000	42,740
Accrued other	107,873	100,324
Accrued expenses	$ 1,203,897	$ 544,260

Note 9-Equity

Common Stock Offering

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

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

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

Redeemable Preferred Stock

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

Note 10-Warrants

Class A and B Warrants and Placement Agent Warrants

As disclosed above in Note 9, the Successor Company issued Class A warrants, Class B warrants and placement agent warrants in connection with the October 2009 preferred stock transaction. The warrants are liability classified since they have down-round price protection and they are re-measured on the Company s reporting dates. As a result of the March 2, 2010 common stock financing and the down-round provision, the Class A warrants, Class B warrants and placement agent warrants were reissued to purchase 2.6 million shares of Common Stock at an exercise price of $0.75 per share.

Common Stock Warrants and Co-placement Agent Warrants

In connection with the March 2, 2010 financing, the Successor Company issued 5,076,664 warrants at an exercise price of $0.98 per share to the accredited investors and 406,133 warrants at an exercise price of $0.75 to the

co-placement agents upon closing. The warrants are liability classified since they have down-round price protection and they are re-measured on the Company s reporting dates. The warrants were exercisable immediately after grant and expire five years thereafter. The fair market value of the warrants, at the date of issuance, granted to the accredited investors and co-placement agents, based on the Black-Scholes valuation model, is estimated to be $0.52 per warrant and $0.58 per warrant, respectively.

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The Successor Company recognizes these warrants as a liability at the fair value on each reporting date due to the down-round price protection provision. The Company measured the fair value of these warrants as of March 31, 2010, and recorded warrant expense of $1.4 million resulting from the increase in the liability associated with the fair value of the warrants for the three months ended March 31, 2010. The Company computed the value of the warrants using the Black-Scholes method. The fair value of the warrants will continue to be classified as a liability until such time as the warrants are exercised, expire or an amendment of the warrant agreements renders these warrants to be no longer classified as a liability.

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

	March 2, 2010	**March 31, 2010**
Expected life (years)	5 years	4.9 years
Interest rate	2.3%	2.6%
Dividend yield		
Volatility	65%	65%

Warrant liability is comprised of the following as of March 31, 2010:

	Number of Warrants	Successor Fair Value of Warrants	Balance as of March 31, 2010
Preferred Stock Class A Warrants	1,083,333	$ 0.64	$ 692,872
Preferred Stock Class B Warrants	1,083,334	0.64	692,873
Preferred Stock Co-placement	433,333	0.64	277,149
Common Stock Warrants	5,076,667	0.59	3,013,705
Common Stock Placement Warrants	406,333	0.66	266,633
Total	8,083,000		$ 4,943,232

Note 11 Equity-based Compensation

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

	Successor Three months ended March 31, 2010
Stock option compensation expense for employees and directors	$ 324,377
Restricted stock expense	18,000
Equity awards for nonemployees issued for services	18,391
Total stock-based compensation expense	$ 360,768

On February 23, 2010, modifications were made to all fiscal year 2009 grants for directors and employees. The modifications provided for all options granted under the 2009 Plan in fiscal year 2009 to extend to a ten year term and allowed Directors to extend the exercise period after departure to one year. As a result of the modifications, the Successor Company recognized incremental compensation cost of approximately $149,000 in the first quarter of 2010.

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

	Successor Three Months Ended March 31, 2010
Expected life (years)	5.5 years
Interest rate	2.4%
Dividend yield	
Volatility	65%

There were no stock options exercised during the three months ended March 31, 2010.

The total fair value of shares vested during the first quarter 2010 was $0.2 million. As of March 31, 2010, there was $0.9 million of total unrecognized compensation cost, related to non-vested stock options which vest over time. That cost is expected to be recognized over a weighted-average period of 2.6 years. As of March 31, 2010, 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.

Restricted stock

As of March 31, 2010, there was $0.1 million of total unrecognized compensation cost related to non-vested restricted stock that is expected to be recognized over a weighted-average period of 1.42 years.

Predecessor Company

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

Note 12 Segment Information and Geographical information

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

Three Months Ended March 31, 2010

	Segment		
	Successor Fibrocell Therapy	Agera	Successor Consolidated
Total operating revenue	$	$ 209,070	$ 209,070
Segment income (loss) from continuing operations	$ (4,726,548)	$ 10,905	$ (4,715,643)
Supplemental information related to continuing operations			
Depreciation and amortization expense	$ 852	$	$ 852
Total assets as of March 31, 2010	9,094,140	683,610	9,777,750

Property and equipment, net	25,483	25,483
Intangible assets	6,340,656	6,340,656

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An intercompany receivable as of March 31, 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 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 March 31, 2010 are approximately $9.8 million.

Three Months Ended March 31, 2009

	Segment Predecessor Isolagen Therapy	Agera	Predecessor Consolidated
Total operating revenue	$	$ 158,889	$ 158,889
Segment loss from continuing operations	$ (3,014,739)	$ (70,268)	$ (3,085,007)
Supplemental information related to continuing operations			
Depreciation and amortization expense	$	$	$
Total assets, including assets from discontinued operations as of March 31, 2009	1,639,628	869,016	2,508,644
Property and equipment, net			
Intangible assets, net			

An intercompany receivable of $1.0 million, due from the Agera segment to the Isolagen Therapy segment as of March 31, 2009, is eliminated in consolidation. This intercompany receivable is primarily due to the intercompany management fee charge to Agera by Isolagen, as well as Agera working capital needs provided by Isolagen, and has been excluded from total assets of the Isolagen Therapy segment in the above table. Total assets on the consolidated balance sheet at March 31, 2009 are approximately $2.5 million, which includes assets of discontinued operations of less than $0.1 million.

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

	Revenue Successor Three months ended March 31, 2010	Revenue Predecessor Three months ended March 31, 2009
United States	$ 60,194	$ 73,490
United Kingdom	141,667	59,044
Other	7,209	26,355
	$ 209,070	$ 158,889

During the three months ended March 31, 2010, revenue from one foreign customer and one domestic customer represented 68% and 19% of consolidated revenue, respectively. During the three months ended March 31, 2009, revenue from one foreign customer and one domestic customer represented 37% and 31% of consolidated revenue, respectively.

As of March 31, 2010 and December 31, 2009, one foreign customer represented 86% and 87%, respectively, of accounts receivable, net.

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Note 13 Subsequent Events

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

The FDA requested the comparative histological data from this study in a Complete Response letter issued to the Company on December 21, 2009 related to the Biologics License Application (BLA) for azficel-T for the treatment of moderate to severe nasolabial fold wrinkles in adults.

The histology study will evaluate tissue treated with azficel-T as compared to tissue treated with sterile saline (placebo). The study will also provide information about the skin after treatment, including evaluation of collagen and elastin fibrils, and cellular structure of the sampled tissues.

Effective April 1, 2010, the board of directors of Fibrocell Science, Inc. approved the appointment of Marc Mazur to the Company s board of directors. On his appointment, Mr. Mazur received an option to purchase 200,000 shares of Company common stock at an exercise price equal to the fair market value of the Company s common stock on the date of issuance, of which 100,000 shares vest immediately and 100,000 shares vest in 12 months.

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

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

Forward-Looking Information

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

our ability to finance our business and continue in operations;

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

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

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

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

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

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

continued availability of supplies at satisfactory prices;

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

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

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

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

Overview

We are an aesthetic and therapeutic development stage biotechnology company focused on developing novel skin and tissue rejuvenation products. Our clinical development product candidates are designed to improve the appearance of skin injured by the effects of aging, sun exposure, acne and burn scars with a patient s own, or autologous, fibroblast cells produced by our proprietary Fibrocell process. Our clinical development programs encompass both aesthetic and therapeutic indications. Our most advanced indication is for the treatment of nasolabial folds wrinkles (United States adopted name, or USAN, is azficel-T) and has completed Phase III clinical studies, and the related Biologics License Application, or BLA, has been submitted to the Food and Drug Administration, or FDA. In October 2009, the FDA s Cellular, Tissue and Gene Therapies Advisory Committee reviewed this indication. On December 21, 2009, Fibrocell Science received a Complete Response letter from the FDA related to the BLA for azficel-T. A Complete Response letter is issued by the FDA s Center for Biologics Evaluation and Research (CBER) when the review of a file is completed and additional data are needed prior to approval. The Complete Response letter requested that we provide data from a histopathological study on biopsied tissue samples from patients following injection of azficel-T. The letter also requested finalized Chemistry, Manufacturing and Controls (CMC) information regarding the manufacture of azficel-T as follow-up to discussions that occurred during the BLA review period, as well as revised policies and procedures regarding shipping practices, and proposed labeling. In addition, the Company has submitted a proposed protocol concerning a histopathological study on biopsied samples to the FDA and to the Company s Investigational Review Board (IRB). The IRB has approved the protocol and the Company is currently awaiting the FDA s comments on the protocol.

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

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

Exit from Bankruptcy

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

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Our officers and directors as of the effective date were all deemed to have resigned and a new board of directors was appointed. As of the effective date, our initial board of directors consisted of: David Pernock, Paul Hopper and Kelvin Moore. Dr. Robert Langer was appointed to the Board in late September 2009. Marc Mazur was appointed to the Board in April 2010. Declan Daly remained as chief operating officer and chief financial officer of the reorganized company, and in November 2009, he was appointed to the Board of Directors. Mr. Daly also acted as interim chief executive officer until February 1, 2010 when David Pernock became the chief executive officer.

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

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

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

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

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

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

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

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

matures June 1, 2012;

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

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

Going Concern

The Successor Company emerged from Bankruptcy in September 2009 and continues to operate as a going-concern. At March 31, 2010, we had cash and cash equivalents of approximately $2.5 million and working capital of $2.0 million. In early March 2010, we raised approximately $3.8 million less fees as a result of the issuance of common stock and warrants. We believe that our existing capital resources are adequate to sustain our operation through approximately mid-June 2010. As such, we will require additional cash resources prior to or during approximately mid-June 2010, or we will likely cease operations. The Successor Company will need to access the capital markets in the future in order to fund future operations. There is no guarantee that any such required financing will be available on terms satisfactory to the Successor Company or available at all. These matters create uncertainty relating to our ability to continue as a going concern. The accompanying consolidated financial statements do not reflect any adjustments relating to the recoverability and classification of assets or liabilities that might result from the outcome of these uncertainties.

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Through March 31, 2010, we have been primarily engaged in developing our initial product technology. In the course of our development activities, we have sustained losses and expect such losses to continue through at least 2010. Our ability to complete additional offerings is dependent on the state of the debt and/or equity markets at the time of any proposed offering, and such market s reception of the Successor Company and the offering terms. Our ability to complete an offering is also dependent on the status of our FDA regulatory milestones and our clinical trials, and in particular, the status of our indication for the treatment of nasolabial fold wrinkles and the status of the related BLA, which cannot be predicted. There is no assurance that capital in any form would be available to us, and if available, on terms and conditions that are acceptable.

As a result of the conditions discussed above, and in accordance with generally accepted accounting principles in the United States, there exists substantial doubt about our ability to continue as a going concern, and our ability to continue as a going concern is contingent, among other things, upon our ability to secure additional adequate financing or capital prior to or during approximately mid-June 2010. If we do not obtain additional funding, or do not anticipate additional funding, prior to or during approximately mid-June 2010, we will likely enter into bankruptcy and/or cease operations. Further, if we do raise additional cash resources prior to mid-June 2010, it may be raised in contemplation of or in connection with bankruptcy. If we enter into bankruptcy, it is likely that our common stock and common stock equivalents will become worthless and our creditors will receive significantly less than what is owed to them.

Clinical Development Programs

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

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

Aesthetic Development Programs

Nasolabial Fold Wrinkles *Phase III Trials*: In October 2006, we reached an agreement with the FDA, on the design of a Phase III pivotal study protocol for the treatment of nasolabial fold wrinkles (lines which run from the sides of the nose to the corners of the mouth). The randomized, double-blind protocol was submitted to the FDA under the agency s Special Protocol Assessment, or SPA. Pursuant to this assessment process, the FDA has agreed that our study design for two identical trials, including subject numbers, clinical endpoints, and statistical analyses, is adequate to provide the necessary data that, depending on the outcome, could form the basis of an efficacy claim for a marketing application. The pivotal Phase III trials evaluated the efficacy and safety of our Fibrocell therapy (USAN name azficel-T) against placebo in approximately 400 subjects total with approximately 200 subjects enrolled in each trial. The injections were completed in January 2008 and the trial data results were disclosed in October 2008. The Phase III trial data results indicated statistically significant efficacy results for the treatment of nasolabial fold wrinkles. The Phase III data analysis, including safety results, was disclosed in October 2008. We submitted the related BLA to the FDA in March 2009. In May 2009, the FDA accepted our BLA submission for filing. On October 9, 2009, the FDA s Cellular, Tissue and Gene Therapies Advisory Committee reviewed azficel-T. The committee voted 11 yes to 3 no that the data presented on azficel-T demonstrated efficacy, and 6 yes to 8 no that the data demonstrated safety, both for the proposed indication. The Committee s recommendations are not binding on the FDA, but the FDA will consider their

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recommendations during their review of our application. On December 21, 2009, Fibrocell Science received a Complete Response letter from the FDA related to the BLA for azficel-T. A Complete Response letter is issued by the FDA s Center for Biologics Evaluation and Research (CBER) when the review of a file is completed and additional data are needed prior to approval. The Complete Response letter requested that Fibrocell Science provide data from a histopathological study on biopsied tissue samples from patients following injection of azficel-T. The letter also requested finalized Chemistry, Manufacturing and Controls (CMC) information regarding the manufacture of azficel-T as follow-up to discussions that occurred during the BLA review period, as well as revised policies and procedures regarding shipping practices, and proposed labeling. The Company is currently working on obtaining the finalized CMC information for the FDA as well as the revised policies and procedures regarding shipping practices and the proposed labeling. In addition, the Company has submitted a proposed protocol concerning a histopathological study on biopsied samples to the FDA and to the Company s Investigational Review Board (IRB). The IRB has approved the protocol and the Company received the comments from the FDA on the protocol in May 2010.

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

The FDA requested the comparative histological data from this study in a Complete Response letter issued to the Company on December 21, 2009 related to the Biologics License Application (BLA) for azficel-T for the treatment of moderate to severe nasolabial fold wrinkles in adults.

The histology study will evaluate tissue treated with azficel-T as compared to tissue treated with sterile saline (placebo). The study will also provide information about the skin after treatment, including evaluation of collagen and elastin fibrils, and cellular structure of the sampled tissues.

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

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

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

Therapeutic Development Programs

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

In connection with this acne scar program, the Predecessor Company developed a photo guide for use in the evaluators assessment of acne study subjects. The Predecessor Company had originally designed the acne scar clinical program as two randomized, double-blind, Phase III, placebo-controlled trials. However, our evaluator assessment scale and photo guide have not previously been utilized in a clinical trial. In November 2007, the FDA recommended that the Predecessor Company consider conducting a Phase II study in order to address certain study issues, including additional validation related to our evaluator assessment scale. As such, the Predecessor Company modified our

clinical plans to initiate a single Phase II/III trial. This Phase II/III study, was powered to demonstrate efficacy, and has allowed for a closer assessment of the evaluator assessment scale and photo guide that is ongoing. The Successor Company is currently in the process of finalizing the Clinical Study Program Report and the next step is to initiate a discussion with the FDA concerning the validation of the evaluator assessment scale and agree the path forward. These steps will be subject to obtaining sufficient financial resources.

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

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

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

Agera Skincare Systems

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

Critical Accounting Policies

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

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

Stock-Based Compensation: We account for stock-based awards to employees and non-employees using the fair value based method to determine compensation for all arrangements where shares of stock or equity instruments are issued for compensation. We use a Black-Scholes options-pricing model to determine the fair value of each option grant as of the date of grant for expense incurred. The Black-Scholes model requires inputs for risk-free interest rate, dividend yield, volatility and expected lives of the options. Expected volatility is based on historical volatility of our competitor s stock since the Predecessor Company ceased trading as part of the bankruptcy and emerged as a new entity. The risk-free rate for periods within the contractual life of the option is based on the U.S. Treasury yield curve in effect at the time of the grant. The expected lives for options granted represents the period of time that options granted are expected to be outstanding and is derived from the contractual terms of the options granted. We estimate future forfeitures of options based upon expected forfeiture rates.

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

Recently Issued Accounting Pronouncements

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

In March 2010, the FASB ratified EITF Issue No. 08-9, *Milestone Method of Revenue Recognition,* that the milestone method is a valid application of the proportional performance model for revenue recognition if the milestones are substantive and there is substantive uncertainty about whether the milestones will be achieved. The Task Force agreed that whether a milestone is substantive is a judgment that should be made at the inception of the arrangement. To meet the definition of a substantive milestone, the consideration earned by achieving the milestone (1) would have to be commensurate with either the level of effort required to achieve the milestone or the enhancement in the value of the item delivered, (2) would have to relate solely to past performance, and (3) should be reasonable relative to all deliverables and payment terms in the arrangement. No bifurcation of an individual milestone is allowed and there can be more than one milestone in an arrangement. The new guidance will be effective for interim and annual periods beginning on or after June 15, 2010.

Emergence from Voluntary Reorganization Under Chapter 11 Proceedings and Reorganization Plan

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

Basis of Presentation

As of September 1, 2009, the Successor Company adopted fresh-start accounting in accordance with ASC 852-10, Reorganizations. The Successor Company selected September 1, 2009, as the date to effectively apply fresh-start accounting based on the absence of any material contingencies at the August 27, 2009 confirmation hearing and the immaterial impact of transactions between August 27, 2009 and September 1, 2009. The adoption of fresh-start accounting resulted in the Successor Company becoming a new entity for financial reporting purposes.

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

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For discussions on the results of operations, the Successor Company has compared the results of operations for the three months ended March 31, 2010, with the results of operations for the three months ended March 31, 2009. The Successor Company believes that the comparison of the financial results provide management and investors a more meaningful analysis of the Company s performance and trends.

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

Results of Operations Comparison of the three months ended March 31, 2010 and 2009

REVENUES. Revenue remained relatively constant at $0.2 million for the three months ended March 31, 2010 and for the three months ended March 31, 2009. Our revenue from continuing operations is from the operations of Agera which we acquired on August 10, 2006. Agera markets and sells a complete line of advanced skin care systems based on a wide array of proprietary formulations, trademarks and non-peptide technology. Due to our financial statement presentation of our United Kingdom operation as a discontinued operation, our revenue for all periods presented is representative of only Agera, as all historical United Kingdom revenue is reflected in loss from discontinued operations.

COST OF SALES. Cost of sales remained constant at $0.1 million for the three months ended March 31, 2010 and March 31, 2009. Our cost of sales relates to the operation of Agera. As a percentage of revenue, Agera cost of sales were approximately 48% for the three months ended March 31, 2010 and 40% for the three months ended March 31, 2009. Cost of sales as a percentage of revenue has increased primarily due to the impact of a physical inventory adjustment in the first quarter of 2010 and increased costs of components.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Selling, general and administrative expenses increased by approximately $0.8 million, or 68%, to $2.0 million for the three months ended March 31, 2010 as compared to $1.2 million for the three months ended March 31, 2009. The increase primarily relates to a $0.3 million increase in payroll related expenses, $0.2 million increase related to general and administrative expenses associated with consultants for financing and marketing as well as office expenses and $0.3 million increase related to legal expenses. Legal expenses for the three months ended March 31, 2009 were ($0.2) million due to a $0.3 million reimbursement received from our insurance carrier related to defense costs associated with our class action and derivative matters. Had we not received this reimbursement, legal expenses for the three months ended March 31, 2010 and March 31, 2009 would have been consistent at $0.1 million.

RESEARCH AND DEVELOPMENT. Research and development expenses increased by approximately $0.2 million, or 18%, to $1.2 million for the three months ended March 31, 2010 as compared to $1.0 for the three months ended March 31, 2009. The increase primarily relates to a $0.1 million increase in payroll related expenses and $0.1 million increase in laboratory costs associated with clinical and manufacturing activities in our Exton, Pennsylvania location. Research and development costs are composed primarily of costs related to our efforts to gain FDA approval for our Fibrocell Therapy for specific dermal applications in the United States, as well as costs related to other potential indications for our Fibrocell Therapy, such as acne scars and burn scars. Also, research and development expense includes costs to develop manufacturing, cell collection and logistical process improvements. Research and development costs primarily include personnel and laboratory costs related to these FDA trials and certain consulting costs. The total inception (December 28, 1995) 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 March 31, 2010, for the Successor Company was $3.0 million.

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

LOSS FROM DISCONTINUED OPERATIONS. Discontinued operations had a loss of less than $0.1 million for the three months ended March 31, 2010 and the three months ended March 31, 2009. Administrative costs related primarily to the Swiss operations comprised approximately less than $0.1 million during the three months ended March 31, 2010 and the three months ended March 31, 2009.

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REORGANIZATION ITEMS, NET. On June 15, 2009, Isolagen, Inc. and its wholly-owned, U.S. subsidiary Isolagen Technologies, Inc., filed voluntary petitions for relief under Chapter 11 of the federal bankruptcy laws in the United States Bankruptcy Court for the District of Delaware, as more fully discussed under Note 1 in the accompanying Consolidated Financial Statements. A reorganization gain, net of reorganization costs, of less than $0.1 million was recorded for the three months ended March 31, 2010, which was comprised primarily of administrative costs offset by the gain of discharge of liabilities.

INTEREST EXPENSE. Interest expense decreased $0.8 million to $0.2 million for the three months ended March 31, 2010, as compared to $1.0 million for the three months ended March 31, 2009. Our 2010 interest expense is related to our $6.0 million (in original principal amount) 12.5% notes. Our 2009 interest expense is related to our 3.5% convertible subordinated notes, of which $89.7 million was outstanding at March 31, 2009, as well as the related amortization of deferred debt issuance costs of $0.2 million, for the three months ended March 31, 2009. With the emergence out of bankruptcy, the 3.5% convertible subordinated notes were exchanged for $6.0 million of debt and 3,960,000 shares of the new common stock.

NET LOSS ATTRIBUTABLE TO COMMON SHAREHOLDERS. Net loss attributable to common shareholders increased approximately $1.6 million to a net loss of $4.7 million for the three months ended March 31, 2010, as compared to a net loss of $3.1 million for the three months ended March 31, 2009. This increase in loss primarily represents the recording of the revaluation of the warrant liability for the preferred stock issued in October 2009 and the warrant liability attached to the common shares issued in March 2010.

Liquidity and Capital Resources

Cash Flows

Net cash provided by (used in) operating, investing and financing activities for the three months ended March 31, 2010 and 2009, respectively, were as follows:

	Three Months Ended March 31,	
	2010	2009
	(in millions)	
Cash flows from operating activities	$ (2.3)	$ (2.0)
Cash flows from investing activities		
Cash flows from financing activities	3.4	

OPERATING ACTIVITIES. Cash used in operating activities during the three months ended March 31, 2010 amounted to $2.3 million, an increase of $0.3 million over the three months ended March 31, 2009. The increase in our cash used in operating activities over the prior year is primarily due to an increase in net losses (adjusted for non-cash items) of $0.2 million, in addition to operating cash inflows from changes in operating assets and liabilities. Our negative operating cash flows for the three months ended March 31, 2010 were funded from cash on hand at December 31, 2009, which were primarily the result of previously completed debt and equity offerings as well as funds received from the secured bridge loan, DIP financing, exit financing and the funds received for the issuance of preferred stock in 2009. Funds were also received from the proceeds of the issuance of common stock in March 2010, discussed further below.

INVESTING ACTIVITIES. Less than $0.1 million cash was provided by or used for investing activities during the three months ended March 31, 2010 and the three months ended March 31, 2009.

FINANCING ACTIVITIES. There was $3.4 million, net of fees, cash proceeds from financing activities during the three months ended March 31, 2010, as compared to no cash received from financing activities during the three months ended March 31, 2009. In March 2010, we sold to investors in the aggregate 5,076,664 shares of Company common stock at a purchase price of $0.75 per share. Each purchaser also received a warrant to purchase the same number of shares of common stock acquired in the offering at an exercise price of $0.98 per share.

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Working Capital

As of March 31, 2010, we had cash and cash equivalents of approximately $2.5 million and working capital of $2.0 million. As discussed in the above paragraph, in early March 2010, we raised approximately $3.4 million, net of fees as a result of the issuance of common stock and warrants. We believe that our existing capital resources are adequate to sustain our operation through approximately mid-June 2010. As such, we will require additional cash resources prior to or during approximately mid-June 2010, or we will likely cease operations. Even if we are able to obtain financing prior to mid-June 2010, we will need to access the capital markets in the future in order to continue to fund future operations. There is no guarantee that any such required financing will be available on terms satisfactory to us or available at all. These matters create uncertainty relating to our ability to continue as a going concern. The accompanying consolidated financial statements do not reflect any adjustments relating to the recoverability and classification of assets or liabilities that might result from the outcome of these uncertainties.

Factors Affecting Our Capital Resources

Inflation did not have a significant impact on the Company s results during the three months ended March 31, 2010.

Off-Balance Sheet Transactions

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

ITEM 3. Quantitative and Qualitative Disclosures About Market Risk

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

Foreign Exchange Rate Risk

We do not believe that we have significant foreign exchange rate risk at March 31, 2010.

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

ITEM 4. CONTROLS AND PROCEDURES

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

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

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PART II OTHER INFORMATION

ITEM 1A. RISK FACTORS

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

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

The information set forth in our Form 8-K filed March 3, 2010 regarding our offering of common stock and warrants during the three months ended March 31, 2010 is incorporated herein by reference.

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

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: May 14, 2010