

Fibrocell Science, Inc.
Form 10-Q
November 14, 2011

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

FORM 10-Q

**Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended September 30, 2011**
OR

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

(State or other jurisdiction
of incorporation)

001-31564

(Commission File Number)

87-0458888

(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 No

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

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 Accelerated filer Non-accelerated filer Smaller reporting company
(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 No

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 No

As of November 8, 2011, issuer had 95,548,253 shares issued and outstanding of common stock, par value \$0.001.

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EX-101 INSTANCE DOCUMENT

EX-101 SCHEMA DOCUMENT

EX-101 CALCULATION LINKBASE DOCUMENT

EX-101 LABELS LINKBASE DOCUMENT

EX-101 PRESENTATION LINKBASE DOCUMENT

EX-101 DEFINITION LINKBASE DOCUMENT

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

	September 30, 2011	December 31, 2010
Assets		
Current assets:		
Cash and cash equivalents	\$ 14,840,392	\$ 867,738
Accounts receivable, net	234,418	229,891
Inventory, net	315,931	258,939
Prepaid expenses and other current assets	1,372,043	559,082
Total current assets	16,762,784	1,915,650
Property and equipment, net of accumulated depreciation of \$83,787 and \$8,085, respectively	732,328	21,589
Intangible assets and other	6,340,906	6,340,906
Total assets	\$ 23,836,018	\$ 8,278,145
Liabilities, Redeemable Preferred Stock, Shareholders Equity/(Deficit) and Noncontrolling Interest		
Current liabilities:		
Current debt	\$ 6,394,532	\$ 56,911
Accounts payable	1,050,215	1,096,125
Accrued expenses	1,447,975	789,482
Deferred revenue	12,500	
Total current liabilities	8,905,222	1,942,518
Long-term debt		7,290,881
Deferred tax liability	2,500,000	2,500,000
Warrant liability	7,509,630	8,171,518
Derivative liability	1,056,920	2,120,360
Other long-term liabilities	170,403	255,606
Total liabilities	20,142,175	22,280,883
Commitments and contingencies		
Preferred stock series A, \$0.001 par value; 9,000 shares authorized; 3,250 shares issued; 0 and 2,886 shares outstanding, respectively		1,280,150
Preferred stock series B, \$0.001 par value; 9,000 shares authorized; 4,640 shares issued; 0 and 4,640 shares outstanding, respectively		
Preferred stock series B, \$0.001 par value; subscription receivable		(210,000)

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Preferred stock series D, \$0.001 par value; 8,000 shares authorized; 7,779 and 1,645 shares issued, respectively, and 3,841 and 1,645 shares outstanding, respectively

Fibrocell Science, Inc. shareholders' equity/(deficit):

Common stock, \$0.001 par value; 250,000,000 shares authorized; 95,278,255 and 20,375,500 shares issued and outstanding, respectively	95,278	20,376
Common stock; \$0.001 par value; subscription receivable	(2,038,733)	
Additional paid-in capital	43,421,317	2,437,893
Accumulated deficit during development stage	(38,275,135)	(17,981,530)
Total Fibrocell Science, Inc. shareholders' equity/(deficit)	3,202,727	(15,523,261)
Noncontrolling interest	491,116	450,373
Total equity/(deficit) and noncontrolling interest	3,693,843	(15,072,888)
Total liabilities, preferred stock, shareholders' equity/(deficit) and noncontrolling interest	\$ 23,836,018	\$ 8,278,145

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

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

	Successor For the three months ended September 30, 2011	Successor For the three months ended September 30, 2010
Revenue		
Product sales	\$ 159,400	\$ 243,677
Total revenue	159,400	243,677
Cost of sales	96,631	118,916
Gross profit	62,769	124,761
Selling, general and administrative expenses	3,920,986	1,583,418
Research and development expenses	1,892,859	1,387,466
Operating loss	(5,751,076)	(2,846,123)
Other income/(expense)		
Warrant income	10,621,558	1,265,571
Derivative revaluation income	2,316,428	
Interest expense	(264,998)	(211,919)
Income/(loss) from continuing operations	6,921,912	(1,792,471)
Loss from discontinued operations	(10,864)	(8,575)
Net income/(loss)	6,911,048	(1,801,046)
Net income/(loss) attributable to noncontrolling interest	5,809	(20,859)
Net income/(loss) attributable to Fibrocell Science, Inc. common shareholders	\$ 6,916,857	\$ (1,821,905)
Per share information:		
Net income/(loss) from continuing operations		
Basic	\$ 0.10	\$ (0.09)
Diluted	\$ 0.08	\$ (0.09)
Net income/(loss) attributable to common shareholders per common share		
Basic	\$ 0.10	\$ (0.09)
Diluted	\$ 0.08	\$ (0.09)
Weighted average number of basic common shares outstanding	69,863,597	19,557,842
Weighted average number of diluted common shares outstanding	83,671,791	19,557,842

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

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Fibrocell Science, Inc.
(A Development Stage Company)

Condensed Consolidated Statements of Operations
(unaudited)

	Successor	Successor	Successor Cumulative period from September 1, 2009 (date of inception) to September 30, 2011	Predecessor Cumulative period from December 28, 1995 (date of inception) to August 31, 2009
	For the nine months ended September 30, 2011	For the nine months ended September 30, 2010		
Revenue				
Product sales	\$ 621,310	\$ 716,809	\$ 1,887,620	\$ 4,818,994
License fees				260,000
Total revenue	621,310	716,809	1,887,620	5,078,994
Cost of sales	320,242	395,351	1,004,938	2,279,335
Gross profit	301,068	321,458	882,682	2,799,659
Selling, general and administrative expenses	9,540,713	5,424,661	18,764,650	84,805,520
Research and development expenses	5,111,053	4,053,817	12,420,568	56,269,869
Operating loss	(14,350,698)	(9,157,020)	(30,302,536)	(138,275,730)
Other income (expense)				
Interest income			1	6,989,539
Reorganization items, net		3,303	(69,174)	73,538,984
Other income			244,479	316,338
Warrant income	814,676	1,560,757	30,360	
Derivative revaluation expense	(5,865,710)		(5,865,710)	
Interest expense	(822,067)	(612,917)	(2,114,440)	(18,790,218)
Loss from continuing operations before income taxes	(20,223,799)	(8,205,877)	(38,077,020)	(76,221,087)
Income tax benefit				190,754
Loss from continuing operations	(20,223,799)	(8,205,877)	(38,077,020)	(76,030,333)
Loss from discontinued operations	(29,063)	(38,121)	(89,981)	(41,091,311)
Net loss	(20,252,862)	(8,243,998)	(38,167,001)	(117,121,644) (11,423,824)

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Deemed dividend associated with beneficial conversion					
Preferred stock dividends					(1,589,861)
Net (income)/loss attributable to noncontrolling interest	(40,743)	(37,247)	(108,134)		1,799,523
Net loss attributable to Fibrocell Science, Inc. common shareholders	\$ (20,293,605)	\$ (8,281,245)	\$ (38,275,135)	\$	(128,335,806)
Per share information:					
Loss from continuing operations-basic and diluted	\$ (0.40)	\$ (0.45)	\$ (1.37)	\$	(4.30)
Loss from discontinued operations-basic and diluted					(2.32)
Income (loss) attributable to noncontrolling interest					0.10
Deemed dividend associated with beneficial conversion of preferred stock					(0.65)
Preferred stock dividends					(0.09)
Net loss attributable to common shareholders per common share basic and diluted	\$ (0.40)	\$ (0.45)	\$ (1.37)	\$	(7.26)
Weighted average number of basic and diluted common shares outstanding	51,219,473	18,291,301	27,767,571		17,678,219

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

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

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

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

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	Series		Common Stock Number of Shares	Common Stock Amount	Additional Paid-In Capital	Treasury Stock Number of Shares	Accumulated			Total
	Series A Preferred Stock Number of Shares	Series B Preferred Stock Number of Shares					Stock Amount	Other Income	During Development Stage	
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

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

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

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

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

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	Series A		Series B		Common Stock		Additional	Treasury	Other	Accumulated	Deficit	Total	
	Preferred Stock	Preferred Stock	Preferred Stock	Common Stock	Additional	Treasury							Accumulated
	Number of	Amount	Number of	Number of	Number of	Amount	Paid-In	Stock	Comprehensive	Development		Shareh	
	Shares		Shares	Shares	Shares		Capital	Number	Income	Stage		Equi	
												(Defi	
		\$		61,600	\$	62	\$	92,338	\$	\$	\$	\$	9
				100,000		100		539,900					54
				(79,382)		(79)		(119,380)					(1
								100,000					10
			110,250			110		2,773,218					2,7
			45,500			46		1,145,704					1,14
	(70,954)	(72)		147,062		147		40,626					4
				114,598		114		(114)					
								100,000					10
											(1,087,200)		(1,08
								1,244,880			(1,244,880)		

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					3,359,331	3,359	18,452,202		18,4
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3 qtr	(2,967,553)	(2,967)	(155,750)	(156)	7,188,793	7,189	(82,875)		(
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3 qtr					212,834	213	(213)		
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mployees							412,812		4
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ment							360,505		3
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essor)	\$	\$	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 Number of Shares	Series B Preferred Stock Number of Shares	Common Stock Number of Shares	Common Stock Amount	Additional Paid-In Capital	Treasury Stock Number of Shares	Treasury Stock Amount	Accumulated		Total Shareholders' Equity (Deficit)
								Accumulated Other Comprehensive Income	Deficit During Development Stage	
Conversion of warrants into common stock \$1			78,526	\$ 79	\$ (79)		\$	\$	\$	\$
Conversion of common stock for in connection with exercise of stock options \$1 qtr			15,000	15	94,985					95,000
Conversion of common stock for in connection with exercise of warrants \$1 qtr			4,000	4	7,716					7,720
Conversion of common stock for in connection with exercise of warrants \$1 qtr					1,410,498					1,410,498
Conversion of common stock for in connection with exercise of warrants \$1 qtr			51,828	52	(52)					
Conversion of common stock for in connection with exercise of warrants \$1 qtr			7,200,000	7,200	56,810,234					56,817,434
Conversion of common stock for in connection with exercise of warrants \$1 qtr					143,462					143,462
Conversion of common stock for in connection with exercise of warrants \$1 qtr			7,431	7	(7)					

reduction with exercise of warrants 3 qtr increase of common stock for in					
reduction with exercise of stock warrants 3 qtr increase of common stock for in	110,000	110	189,890		190,000
reduction with exercise of warrants 3 qtr compensation expense on warrants and warrants issued to employees directors 3	28,270	28	59,667		59,667
increase of common stock in reduction with exercise of warrants 3 qtr compensation expense on warrants and warrants issued to employees, employees, and directors 3 qtr purchase of treasury stock 3			229,133		229,133
reduction with exercise of warrants 4 qtr compensation expense on warrants and warrants issued to employees, employees, and directors 4 qtr purchase of treasury stock 4	27,652	28	(28)		
comprehensive income: loss for comprehensive income, foreign currency translation investment for comprehensive income, net realized gain			127,497	4,000,000 (25,974,000)	127,497 (25,974,000)
					(21,474,469) (21,474,469)
				79,725	79,725
				10,005	10,005

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	Series A Preferred Stock Number of Shares	Series B Preferred Stock Number of Shares	Common Stock		Additional Paid-In Capital	Treasury Stock		Accumulated		Total Shareholders' Equity (Deficit)
			Number of Shares	Amount		Number of Shares	Amount	Other Comprehensive Income (Loss)	Deficit During Development Stage	
Issuance of common stock for cash			25,000	\$ 25	\$ 74,975			\$	\$	\$ 75,000
Conversion of preferred stock into common stock			27,785	28	(28)					33,565
Issuance of common stock for cash					(61,762)					(61,762)
Issuance of common stock for cash					(137,187)					(137,187)
Conversion of preferred stock into common stock			12,605	12	(12)					18,844
Issuance of common stock for cash					14,950					14,950

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ments						(10,005)			(10,005)
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ce, 12/31/05									
cessor)	\$	\$ 34,260,383	\$ 34,260	\$ 109,879,125	4,000,000	\$(25,974,000)	\$ (784,644)	\$(91,251,638)	\$(8,090,000)

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	Treasury Stock	Accumulated			Noncontrolling Interest
					Other Comprehensive Income	Development Stage Deficit		
Number of Shares	Number of Shares	Number of Shares	Paid-In Capital	Number of Shares	Amount	Income	During Stage	Interest
			\$ 42,810		\$	\$	\$	\$
			46,336					
		128,750	129	23,368				
			96,177					
			407,012					
			4,210					
		(97,400)	(97)	97				

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

of
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(35,821,406) (78,132)

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657,182

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) \$ \$ 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 Paid-In Capital	Treasury Stock	Accumulated		Noncontrolling Interest	
					Other Comprehensive Income (Loss)	Deficit During Development Stage		
Number of Shares	Number of Shares	Number of Shares	Amount	Number of Shares	Amount	Income (Loss)	Stage	Interest
			\$ 39,742		\$	\$		\$
			448,067					
			88					
		15,000	23,085					
			1,178,483					
			39,981					
			462,363					

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

846,388

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

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	Treasury Stock	Accumulated		Noncontrolling Interest
					Other Comprehensive Income (Loss)	Deficit During Development Stage	
Number of Shares	Number of Shares	Number of Shares	Amount	Number of Shares	Amount		
			\$ 44,849		\$		\$
			151,305				
			1,262,815				
		(165)	(1)				
			62,697				
			193,754				
			166,687				
			171,012 (86,719)				

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\$ \$ 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.

166,196

(31,411,179) (1,680,676)

(2,152,569)

1,433,643

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	Series A Preferred Stock	Series B Preferred Stock	Common Stock	Additional Paid-In Capital	Treasury Stock	Accumulated		Noncontrolling Interest	Total
						Other	Deficit		
	Number of Shares	Number of Shares	Number of Shares	Paid-In Capital	Number of Shares	Comprehensive Income (Loss)	Development Stage	Interest	(in thousands)
Invested in equity	\$	\$	\$	\$ 1,746	\$	\$	\$	\$	\$
Option exercised to purchase common stock			37,564	38	138,798				
Option exercised to purchase common stock			1,143,324	1,143	10,468,857				
Option exercised to purchase common stock					112,616				
Option exercised to purchase common stock					35,382				
Option exercised to purchase common stock					294,912				
							65,721,531	205,632	65,927,163

...sive									
...1/09									
...r)	42,820,380	\$ 42,820	\$ 142,737,500	4,000,000	\$ (25,974,000)	\$	\$ (128,335,806)	\$ 382,982	\$
...n of									
...common									
...resh start									
...of	(42,820,380)	(42,820)	(150,426,331)	(4,000,000)	25,974,000				(12
...d deficit									
...lated									
...prehensive							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									
...shares of	11,400,000	11,400	(2,228,231)					382,982	
...ock in									
...with the									
...ng	2,666,666	2,667	1,797,333						
...common									
...t. 28,	25,501	25	58,627						
...ion									
...shares									
...at	600,000	600	167,400						
...ion									
...option									
...ed to									
...ion									
...option									
...ed to									
...rees									326,838
...sive loss:									386,380

(5,049,999) 15,493

sive loss

31/09

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

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

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	Series		Accumulated							Total	
	Series A	Series B	Common Stock	Additional	Treasury		Deficit		Total		
	Preferred	Preferred			Stock	Stock	Other	During			Noncontrolling
	Number of	Number of			Number of	Number of	Income	Development			
Shares	Shares	Shares	Shares	Amount	Amount	Stage	Interest	(Deficit)			
Issuance of 5.1 million shares of common stock in March 2010, net of issuance costs of \$338,100 Warrant fair value associated with common shares issued in March 2010	\$	\$	5,076,664	\$ 5,077	\$ 3,464,323	\$	\$	\$	\$	\$ 3,469,400	
Compensation expense on shares issued to management 1Q10					18,000					18,000	
Compensation expense on option awards issued to directors/employees-1Q10					324,377					324,377	
Compensation expense on option awards issued to non-employees-1Q10					18,391					18,391	
Compensation expense on shares issued to management 2Q10					18,000					18,000	
Compensation expense on option awards issued to directors/employees-2Q10					222,011					222,011	
Compensation expense on option awards issued to non-employees-2Q10					33,206					33,206	
Compensation expense on shares issued to management 3Q10					18,000					18,000	
Compensation expense on option awards issued to directors/employees-3Q10					183,231					183,231	
Compensation expense on option awards issued to non-employees-3Q10					7,724					7,724	
Compensation expense on shares issued to management 4Q10					18,000					18,000	
					104,094					104,094	

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

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

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	Series A	Series B	Common Stock	Subscription	Additional Paid-In Capital	Treasury Stock	Accumulated Deficit	Other	During Development Stage	Noncontrolling Interest
	Number of Shares	Number of Shares	Number of Shares	Amount	Amount	Number	Amount	Amount	Amount	Amount
Share-based compensation expense on shares management 1Q11		\$		\$			\$	\$	\$	\$
Share-based compensation expense on option granted to employees-1Q11						995,551				
Share-based compensation expense on option granted to non-employees-1Q11						38,203				
Stock warrants exercised - Series A and B 1Q11			289,599	289		241,542				
Share-based compensation expense on shares management 2Q11						18,000				
Share-based compensation expense on option granted to employees-2Q11						1,082,503				
Share-based compensation expense on option granted to non-employees-2Q11						250,473				
Stock warrants exercised - Series A, B and D 2Q11			7,230,103	7,230		6,065,727				
Share-based compensation expense on shares management 3Q11						12,000				
Share-based compensation expense on option granted to employees/consultants-3Q11						225,235				
Stock warrants exercised - Series A, B and D 3Q11			890,564	891		944,485				
Share-based compensation expense on shares management 4Q11						3,546,584				
Share-based compensation expense on option granted to employees/consultants-4Q11						21,096,029				
Stock warrants exercised - Series A, B and D 4Q11			41,409,461	41,409	(2,038,733)					

ve loss:

(20,293,605) 40,743

ve loss

711 (Successor)

\$ \$ 95,278,255 \$ 95,278 \$ (2,038,733) \$ 43,421,317 \$ \$ (38,275,135) \$ 491,116 \$

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

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

	Successor	Successor	Successor	Predecessor
	For the nine	For the nine	Cumulative	Cumulative
	months ended	months	period from	period from
	September	ended	September 1,	December 31,
	30,	September	2009 (date of	1995 (date of
	2011	30,	inception) to	inception) to
	2011	2010	September	August 31,
	2011	2010	30,	2009
Cash flows from operating activities:				
Net loss attributable to Fibrocell Science, Inc. common shareholders	\$ (20,293,605)	\$ (8,281,245)	\$ (38,275,135)	\$ (115,322,121)
Adjustments to reconcile net loss to net cash used in operating activities:				
Reorganization items, net			72,477	(74,648,976)
Expense related to equity awards and issuance of stock	2,639,965	842,940	4,513,724	10,608,999
Warrant income	(814,676)	(1,560,757)	(30,360)	
Derivative revaluation expense	5,865,710		5,865,710	
Uncompensated contribution of services				755,556
Depreciation and amortization	75,702	5,612	83,787	9,091,990
Provision for doubtful accounts	(14,766)	(12,839)	(69,203)	337,810
Provision for excessive and/or obsolete inventory	(23,654)	(51,165)	(72,356)	259,427
Amortization of debt issue costs				4,107,067
Amortization of debt discounts on investments				(508,983)
Loss on disposal or impairment of property and equipment				17,668,477
Foreign exchange gain on substantial liquidation of foreign entity	(3,110)	(3,031)	(10,796)	(2,256,408)
Net (loss) income attributable to noncontrolling interest	40,743	37,247	108,134	(1,799,523)
Change in operating assets and liabilities, excluding effects of acquisition:				
Decrease (increase) in accounts receivable	10,239	3,783	81,469	(91,496)
Decrease (increase) in other receivables	3,981	(105)	4,688	218,978
Decrease (increase) in inventory	(33,339)	69,086	25,043	(455,282)
Decrease (increase) in prepaid expenses	(816,928)	(37,812)	(1,019,034)	34,341
Decrease in other assets			4,120	71,000
Increase (decrease) in accounts payable	(45,910)	828,353	912,814	57,648
	1,118,057	1,228,707	1,948,403	3,311,552

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Increase in accrued expenses, liabilities subject to compromise and other liabilities				
Increase (decrease) in deferred revenue	12,500		12,500	(50,096)
Net cash used in operating activities	(12,279,091)	(6,931,226)	(25,844,015)	(148,610,040)
Cash flows from investing activities:				
Acquisition of Agera, net of cash acquired				(2,016,520)
Purchase of property and equipment	(786,441)	(29,675)	(816,115)	(25,515,170)
Proceeds from the sale of property and equipment, net of selling costs				6,542,434
Purchase of investments				(152,998,313)
Proceeds from sales and maturities of investments				153,507,000
Net cash used in investing activities	(786,441)	(29,675)	(816,115)	(20,480,569)
Cash flows from financing activities:				
Proceeds from convertible debt				91,450,000
Offering costs associated with the issuance of convertible debt				(3,746,193)
Proceeds from notes payable to shareholders, net				135,667
Proceeds from the issuance of redeemable preferred stock series A, net			2,870,000	12,931,800
Proceeds from the issuance of redeemable preferred stock series B, net	193,200	2,388,168	4,212,770	
Deposit received for issuance of shares in October 2010		130,000		
Proceeds from the issuance of redeemable preferred stock series D, net	5,642,780		7,152,180	
Proceeds from the exercise of warrants	2,418,646		2,418,646	
Proceeds from the issuance of common stock, net	20,679,265	3,469,400	25,948,665	93,753,857
Costs associated with secured loan and debtor-in-possession loan				(360,872)
Proceeds from secured loan				500,471
Proceeds from debtor-in-possession loan				2,750,000
Payments on insurance loan	(56,911)	(47,795)	(142,485)	(79,319)
Principal payments on 12.5% note payable	(1,283,321)		(1,283,321)	
Cash dividends paid on preferred stock	(559,229)	(139,750)	(698,979)	(1,087,200)
Cash paid for fractional shares of preferred stock				(38,108)
Merger and acquisition expenses				(48,547)
Repurchase of common stock				(26,024,280)
Net cash provided by financing activities	27,034,430	5,800,023	40,477,476	170,137,276
	3,756	3,473	12,770	(36,391)

Effect of exchange rate changes on cash
balances

Net increase (decrease) in cash and cash
equivalents

13,972,654

(1,157,405)

13,830,116

1,010,276

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	Successor	Successor	Successor	Predecessor
	For the nine months ended September 30, 2011	For the nine months ended September 30, 2010	Cumulative period from September 1, 2009 (date of inception) to September 30, 2011	Cumulative period from December 31, 1995 (date of inception) to August 31, 2009
Cash and cash equivalents, beginning of period	867,738	1,362,488	1,010,276	
Cash and cash equivalents, end of period	\$ 14,840,392	\$ 205,083	\$ 14,840,392	\$ 1,010,276
Supplemental disclosures of cash flow information:				
Successor/Predecessor cash paid for interest	\$ 435,096	\$	\$ 435,096	\$ 12,715,283
Successor cash paid for dividends	559,229	139,750	698,979	
Non-cash investing and financing activities:				
Predecessor deemed dividend associated with beneficial conversion of preferred stock	\$	\$	\$	\$ 11,423,824
Predecessor preferred stock dividend				1,589,861
Successor accrued preferred stock dividend	431,679	85,183	431,679	
Predecessor uncompensated contribution of services				755,556
Predecessor common stock issued for intangible assets				540,000
Predecessor common stock issued in connection with conversion of debt				10,814,000
Predecessor equipment acquired through capital lease				167,154
			178,582	87,623

Successor/Predecessor financing of insurance premiums			
Successor issuance of notes payable			6,000,060
Successor common stock issued in connection with reorganization			5,472,000
Successor intangible assets			6,340,656
Successor deferred tax liability in connection with fresh-start			2,500,000
Elimination of Predecessor common stock and fresh-start adjustment			14,780,320
Successor subscription receivable	2,038,733	792,000	2,038,733
Successor accrued warrant liability	4,994,307	5,579,319	12,381,509
Successor conversion of preferred stock Series A balance into common stock	1,202,989		1,202,989
Successor conversion of preferred stock derivative balance into common stock	7,237,210		7,601,210
Successor exercise of warrants	4,841,519		4,841,519
Successor accrued derivative liability	308,060		2,428,420

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

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

Note 1 Business and Organization

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

The Company is an aesthetic and therapeutic development stage biotechnology company focused on developing novel skin and tissue rejuvenation products. The Company s clinical development product candidates are designed to improve the appearance of skin injured by the effects of aging, sun exposure, acne and burns with a patient s own, or autologous, fibroblast cells produced in the Company s proprietary Fibrocell Process. The Company s lead product, LAVIV (LAVIV), is the first and only personalized aesthetic cell therapy approved by the FDA for the improvement of the appearance of moderate to severe nasolabial fold wrinkles in adults. The Company also markets an advanced skin care line with broad application in core target markets through its consolidated subsidiary, Agera. The Company owns 57% of the outstanding shares of Agera.

Note 2 Development-Stage Risks and Liquidity

The Company has been primarily engaged in developing its initial product technology, and the Successor has incurred losses since inception and has a deficit accumulated during the development stage of \$38,275,135 as of September 30, 2011. The Company anticipates incurring additional losses until such time, that it can generate significant sales of recently approved FDA product, LAVIV. As of September 30, 2011, the Company received \$19.1 million, net of fees, with \$2.0 million subscription receivable outstanding related to the August 2011 private placement. Subsequent to September 30, 2011, the Company has received an additional amount of \$1.5 million, leaving a balance of \$0.5 million due.

As a result of the conditions discussed above, and in accordance with U.S. generally accepted accounting principles (GAAP), there exists doubt about the Company s ability to continue as a going concern, and its ability to continue as a going concern is contingent, among other things, upon its ability to secure additional adequate financing or capital in the future.

Note 3 Summary of Significant Accounting Policies

Basis of Presentation

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

Table of Contents*Use of Estimates*

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

Inventory

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

Income (loss) per share data

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

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

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

For the three months ended September 30,	For the nine months ended September 30,
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	2011	2010	2011	2010
Shares of convertible preferred stock		9,058,333	7,682,000	9,058,333
Shares underlying options outstanding	13,655,000	5,677,000	13,655,000	5,677,000
Shares underlying warrants outstanding	14,646,021	18,218,146	49,135,602	18,218,146
Unvested restricted stock		150,000		150,000

Table of Contents*Recent Accounting Pronouncements*

In September 2011, the FASB issued Accounting Standards Update (ASU) 2011-05, Comprehensive Income (Topic 220): *Presentation of Comprehensive Income* (ASU 2011-05), which amends current comprehensive income guidance. This accounting update eliminates the option to present the components of other comprehensive income as part of the statement of shareholders' equity. Instead, the Company must report comprehensive income in either a single continuous statement of comprehensive income which contains two sections, net income and other comprehensive income, or in two separate but consecutive statements. ASU 2011-05 will be effective for public companies during the interim and annual periods beginning after December 15, 2011 with early adoption permitted. The adoption of ASU 2011-05 will not have an impact on the Company's consolidated financial statements as it only requires a change in the format of the current presentation.

Note 4 Inventory

Inventories consist of the following:

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

Note 5 Fair Value Measurements

The Company adopted the accounting guidance on fair value measurements for financial assets and liabilities measured on a recurring basis. The guidance requires fair value measurements be classified and disclosed in one of the following three categories:

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

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

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

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

	Quoted prices in active markets (Level 1)	Fair value measurement using Significant		Total
		other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Balance at September 30, 2011				
Assets				
Cash and cash equivalents	\$ 14,840,392	\$	\$	\$ 14,840,392
Liabilities				
Warrant liability	\$	\$	\$ 7,509,630	\$ 7,509,630
Derivative liability			1,056,920	1,056,920

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Total	\$	\$	\$ 8,566,550	\$ 8,566,550
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	Quoted prices in active markets (Level 1)	Fair value measurement using Significant other observable inputs (Level 2)		Significant unobservable inputs (Level 3)	Total
Balance at December 31, 2010					
Assets					
Cash and cash equivalents	\$ 867,738	\$		\$	\$ 867,738
Liabilities					
Warrant liability	\$	\$		\$ 8,171,518	\$ 8,171,518
Derivative liability				2,120,360	2,120,360
Total	\$	\$		\$ 10,291,878	\$ 10,291,878

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

	Warrant Liability
Balance at December 31, 2010	\$ 8,171,518
Issuance of additional warrants	4,994,307
Exercise of warrants	(4,841,519)
Change in fair value of warrant liability	(814,676)
Balance at September 30, 2011	\$ 7,509,630

The fair value of the warrant liability is based on Level 3 inputs. For this liability, the Company developed its own assumptions that do not have observable inputs or available market data to support the fair value. See note 9 for further discussion of the warrant liability.

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

	Derivative Liability
Balance at December 31, 2010	\$ 2,120,360
Issuance of additional preferred stock and other	308,060
Conversion of preferred stock	(7,237,210)
Change in fair value of derivative liability	5,865,710
Balance at September 30, 2011	\$ 1,056,920

The fair value of the derivative liability is based on Level 3 inputs. For this liability, the Company developed its own assumptions that do not have observable inputs or available market data to support the fair value. See note 8 for further discussion of the derivative liability.

Table of Contents**Note 6 Accrued Expenses**

Accrued expenses consist of the following:

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

Note 7 Debt

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

Total debt is comprised of the following:

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

Note 8-Equity*Common Stock Private Placements*

On August 3, 2011, the Company entered into agreements with certain accredited investors, pursuant to which the Company agreed to sell to the purchasers an aggregate of 41,409,461 shares of Company common stock at a purchase price of \$0.55 per share in a private placement. Each purchaser also received a warrant to purchase 0.35 shares of common stock for every share of common stock acquired in the offering with an exercise price of \$0.75 per share and a term of 5 years from issuance. The warrants are callable by the Company if the common stock trades over \$1.75 for 20 consecutive trading days at any time after the shares underlying the warrants are registered or eligible for resale pursuant to Rule 144. The aggregate purchase price paid by the purchasers at closing for the common stock and the warrants was \$22.8 million. As of September 30, 2011, there was a subscription receivable of \$2.0 million of which \$1.5 million was received subsequent to September 30, 2011. The placement agents for the transaction received cash compensation of \$1.6 million and warrants to purchase 1,252,761 shares of Company common stock at an exercise price of \$0.5454 and fair value of \$440,330. Issuance costs of \$1.6 million were netted against the gross proceeds.

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

Redeemable Preferred stock

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

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The Company records accrued dividends at a rate of 6% per annum on the Series A, Series B and Series D Preferred. As of September 30, 2011, \$63,867 was accrued for dividends payable. The Company paid cash of \$254,846 and \$559,229 during the three and nine months ended September 30, 2011, respectively.

Preferred Stock Series D

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

Conversion option of Redeemable Preferred stock

The embedded conversion option for the Series A Preferred, Series B Preferred and Series D Preferred has been recorded as a derivative liability under ASC 815, Derivatives and Hedging, (ASC 815) in the consolidated balance sheet as of September 30, 2011 and December 31, 2010. As of September 30, 2011 the derivative liability was re-measured resulting in income of \$2,316,428 for the three months ended September 30, 2011 and expense of \$5,865,710 for the nine months ended September 30, 2011 in our statement of operations. The fair value of the derivative liability is determined using the Black-Scholes option-pricing model and is affected by changes in inputs to that model including our stock price, expected stock price volatility, the contractual term, and the risk-free interest rate. The Company will continue to classify the fair value of the embedded conversion option as a liability and re-measure on the Company's reporting dates until the preferred stock is converted into common stock.

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

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

Note 9 Warrants

We account for stock warrants as either equity instruments or derivative liabilities depending on the specific terms of the warrant agreement. Stock warrants are accounted for as a derivative in accordance with ASC 815 if the stock warrants contain down-round protection and therefore, do not meet the scope exception for treatment as a derivative. Since down-round protection is not an input into the calculation of the fair value of the warrants, the warrants cannot be considered indexed to the Company's own stock which is a requirement for the scope exception as outlined under ASC 815. The fair value of the warrants is determined using the Black-Scholes option pricing model and is affected by changes in inputs to that model including our stock price, expected stock price volatility, the contractual term, and the risk-free interest rate. The Company will continue to classify the fair value of the warrants as a liability until the warrants are exercised, expire or are amended in a way that would no longer require these warrants to be classified as a liability.

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

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

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

Liability-classified Warrants*Series D Preferred Stock Warrants and Placement Agent Warrants*

In connection with the Series D Convertible Preferred Stock transaction, the Company issued 12,268,000 warrants at an exercise price of \$0.50 per share and 981,440 placement agent warrants at an exercise price of \$0.50 per share during the first quarter of 2011. The warrants are liability classified since they have down-round price protection and they are re-measured on the Company's reporting dates. The weighted average fair market value of the warrants, at the date of issuance, granted to the accredited investors and placement agents, based on the Black-Scholes option-pricing model, is estimated to be \$0.45 per warrant.

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

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

Dividend yield

Volatility

61%

63%

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

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In connection with the private placement transaction on August 3, 2011, the Company issued warrants to purchase 14,493,310 shares of the Company common stock to certain accredited investors with an exercise price of \$0.75 per share and a term of 5 years from issuance. The warrants are callable by the Company if the common stock trades over \$1.75 for 20 consecutive trading days. The placement agents for the transaction received warrants to purchase 1,252,761 shares of Company common stock at an exercise price of \$0.5454. The Company determined the average fair value of the warrants as of the date of the grant was \$0.31 per share utilizing the Black-Scholes option pricing model. In estimating the fair value of the warrants, the Company utilized the following inputs: closing price per share of common stock of \$0.63, volatility of 61.4%, expected term of 5 years, risk-free interest rate of 1.25% and dividend yield of zero.

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

Note 10 Stock-based Compensation

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

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

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

	Weighted- average contractual term (in years)	Weighted- average exercise price	Weighted- average remaining contractual term (in years)	Aggregate intrinsic value
Number of shares				

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Outstanding at December 31, 2010	5,677,000	\$	0.86	7.46	\$	
Granted	9,598,000	\$	0.72			
Exercised	(600,000)	\$	0.75			
Forfeited	(1,020,000)	\$	0.77			
Outstanding at September 30, 2011	13,655,000	\$	0.77	8.59	\$	600
Exercisable at September 30, 2011	8,390,642	\$	0.79	8.19	\$	

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The total fair value of shares vested during the nine months ended September 30, 2011 was \$3.8 million. As of September 30, 2011, there was \$1.9 million of total unrecognized compensation cost, related to non-vested stock options which vest over time. That cost is expected to be recognized over a weighted-average period of 1.6 years. As of September 30, 2011, there was approximately \$0.1 million of total unrecognized compensation expense related to performance-based, non-vested employee and consultant stock options. That cost will be recognized when the performance criteria within the respective performance-based option grants become probable of achievement.

During the three months ended September 30, 2011 and 2010, the weighted average fair market value using the Black-Scholes option-pricing model of the options granted was \$0.36 and \$0.34, respectively. The fair market value of the options was computed using the Black-Scholes option-pricing model with the following key weighted average assumptions for the three months ended as of the dates indicated:

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

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

Note 11 Segment Information and Geographical information

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

Three Months Ended September 30, 2011

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

Nine Months Ended September 30, 2011

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

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

Nine Months Ended September 30, 2010

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

Geographical information concerning the Company's revenue is as follows:

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

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

During the three months ended September 30, 2011, revenue from one foreign customer and one domestic customer represented 78% and 20% of consolidated revenue, respectively. During the three months ended September 30, 2010, revenue from one foreign customer and one domestic customer represented 75% and 15% of consolidated revenue, respectively.

During the nine months ended September 30, 2011, revenue from one foreign customer and one domestic customer represented 63% and 16% of consolidated revenue, respectively. During the nine months ended September 30, 2010, revenue from one foreign customer and one domestic customer represented 73% and 17% of consolidated revenue, respectively.

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

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

Note 12 Subsequent Events

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

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

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

This report contains certain forward-looking statements relating to Fibrocell that is based on management's exercise of business judgment and assumptions made by and information currently available to management. When used in this document, the words anticipate, believe, estimate, expect, intend, the facts suggest and words of similar intent 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;

our ability to commercialize and sell our recently approved FDA product, LAVIV (LAVIV);

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

our ability to scale up our manufacturing facility over time;

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

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

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

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

continued availability of supplies at satisfactory prices;

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

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

any adverse claims relating to our intellectual property;

the adoption of new, or changes in, accounting principles;

our issuance of certain rights to our shareholders that may have anti-takeover effects;

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our dependence on physicians to correctly follow our established protocols for the safe administration of our Fibrocell Therapy; and

other risks referenced from time to time elsewhere in our filings with the SEC.

These factors are not necessarily all of the important factors that could cause actual results of operations to differ materially from those expressed in these forward-looking statements. Other unknown or unpredictable factors also could have material adverse effects on our future results. We cannot assure you that projected results will be achieved.

General

We are an aesthetic and therapeutic development stage biotechnology company focused on developing novel skin and tissue rejuvenation products. Our clinical development product candidates are designed to improve the appearance of skin injured by the effects of aging, sun exposure, acne and burn scars with a patient's own, or autologous, fibroblast cells produced by our proprietary Fibrocell process. Our clinical development programs encompass both aesthetic and therapeutic indications.

Our lead product, LAVIV (United States adopted name, or USAN, is azficel-T), is the first and only personalized aesthetic cell therapy approved by the FDA for the improvement of the appearance of moderate to severe nasolabial fold wrinkles in adults.

During 2009 we completed a Phase II/III study for the treatment of acne scars. We announced on November 3, 2011, that the first scientific presentation of data demonstrating the efficacy of LAVIV (azficel-T) in treating moderate-to-severe depressed acne scars was presented at the American Society for Dermatologic Surgery (ASDS) annual meeting in Washington, D.C. During 2008 we completed our open-label Phase II study related to full face rejuvenation.

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

Critical Accounting Policies and Use of Estimates

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

Results of Operations***Three Months Ended September 30, 2011 compared to the Three Months Ended September 30, 2010***

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

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

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

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

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

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

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

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

Research and development expense increased \$0.5 million to \$1.9 million for the three months ended September 30, 2011 from \$1.4 million for the three months ended September 30, 2010. The increase is due primarily to a \$0.2 million increase in lab supplies, a \$0.2 million increase in contract labor and a \$0.1 million increase in depreciation. Research and development costs are composed primarily of quality and manufacturing costs in connection with LAVIV which was recently approved by the FDA. As we begin selling LAVIV these costs will appear as cost of goods sold on the statements of operations. There are also other costs related to other potential indications for our Fibrocell Therapy, such as acne scars and burn scars. Also, research and development expense includes costs to develop manufacturing, cell collection and logistical process improvements. Research and development costs primarily include personnel and laboratory costs related to these FDA trials and certain consulting costs.

Interest Income (Expense). Interest expense for the three months ended September 30, 2011 increased by approximately \$0.1 million, or 25%, from the three months ended September 30, 2010. Our interest expense for the period is related to the notes we issued in connection with our bankruptcy plan. Pursuant to the terms of the notes we have been accreting the interest due to the principal on the notes at the rate of 15% per annum.

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Change in Revaluation of Warrant and Derivative Liability. During the three months ended September 30, 2011, we recorded non-cash income of \$10.6 million and \$2.3 million for warrant income and derivative revaluation income, respectively, in our statements of operations due to a decrease in the fair value of the warrant liability and derivative liability related to the Series A, B and D preferred stock financings. This decrease in fair value was primarily due to a decrease in the price per share of our common stock on September 30, 2011 as compared to June 30, 2011. During the three months ended September 30, 2010, we recorded non-cash income of \$1.3 million for warrant income in our statements of operations due to a decrease in the fair value of the warrant liability for warrants to purchase preferred stock that were liability-classified.

Net income/(loss) attributable to common shareholders. Net income attributable to common shareholders increased approximately \$8.7 million to a net income of \$6.9 million for the three months ended September 30, 2011, as compared to a net loss of \$1.8 million for the three months ended September 30, 2010 primarily due to a decrease in the fair value of the warrant liability and derivative liability related to the Series A, B and D preferred stock financings, offset by an increase in operating expenses related to the LAVIV product approval in June 2011 and product launch in October 2011.

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

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

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

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

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

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

Selling, general and administrative expense increased \$4.1 million to \$9.5 million for the nine months ended September 30, 2011 as compared to \$5.4 million for the nine months ended September 30, 2010. The increase consists

of an increase in stock compensation expense of \$1.7 million and an increase in salaries of \$0.1 million, offset by a decrease of \$0.3 million due primarily to no bonuses accrued in 2011. There was an increase in marketing expense of \$2.2 million in preparation of the launch of LAVIV and an increase in license fees of \$0.6 million for FDA product and establishment fees. Consulting fees decreased \$0.2 million due to the hiring of key personnel.

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

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

Research and development expense increased \$1.0 million to \$5.1 million for the nine months ended September 30, 2011 as compared to \$4.1 million for the nine months ended September 30, 2010. The increase is primarily due to an increase of \$0.3 million in compensation and related expense, an increase of \$0.5 million for lab costs and \$0.2 million for contract labor as the Company prepares for the launch of the product LAVIV. Research and development costs are composed primarily of quality and manufacturing costs in connection with LAVIV which was recently approved by the FDA. As we begin selling LAVIV these costs will appear as cost of goods sold on the statements of operations. There are also other costs related to other potential indications for our Fibrocell Therapy, such as acne scars and burn scars. Also, research and development expense includes costs to develop manufacturing, cell collection and logistical process improvements. Research and development costs primarily include personnel and laboratory costs related to these FDA trials and certain consulting costs. The total inception (December 28, 1995) to date cost of research and development as of August 31, 2009 for the Predecessor Company was \$56.3 million and total inception (September 1, 2009) to date cost of research and development as of September 30, 2011, for the Successor Company was \$12.4 million.

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

Change in Revaluation of Warrant and Derivative Liability. During the nine months ended September 30, 2011, we recorded non-cash income of \$0.8 million and a non-cash loss of \$5.9 million for warrant income and derivative revaluation expense, respectively, in our statements of operations due to an decrease in the fair value of the warrant liability and derivative liability related to the Series A, B and D preferred stock financings. This decrease in fair value was primarily due to a decrease in the price per share of our common stock on September 30, 2011 as compared to December 31, 2010. During the nine months ended September 30, 2010, we recorded non-cash income of \$1.6 million for warrant expense in our statements of operations due to an decrease in the fair value of the warrant liability for warrants to purchase preferred stock that were liability-classified.

Net loss attributable to common shareholders. Net loss attributable to common shareholders decreased approximately \$12.0 million to a net loss of \$20.3 million for the nine months ended September 30, 2011, as compared to a net loss of \$8.3 million for the nine months ended September 30, 2010 primarily due to a decrease in the fair value of the warrant liability and derivative liability related to the Series A, B and D preferred stock financings, offset by an increase in operating expenses related to the LAVIV product approval in June 2011 and product launch in October 2011, as well as the other items discussed above.

Table of Contents**Liquidity and Capital Resources**

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

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

Operating Activities. Cash used in operating activities during the nine months ended September 30, 2011 amounted to \$12.3 million, an increase of \$5.3 million over the nine months ended September 30, 2010. The increase in our cash used in operating activities over the prior year is primarily due to an increase in net losses (adjusted for non-cash items) of \$3.5 million, in addition to operating cash outflows from changes in operating assets and liabilities.

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

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

Working Capital

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

Debt

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

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

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

Foreign Exchange Rate Risk

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

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

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Item 4. Controls and Procedures.

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

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934, as amended (the Exchange Act)) as of the end of the period covered by this report. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures as of the end of the period covered by this report were effective in ensuring that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms. We believe that a control system, no matter how well designed and operated, cannot provide absolute assurance that the objectives of the control system are met, and no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected.

There was no change in our internal control over financial reporting (as defined in Rule 13a-15(f) of the Exchange Act) that occurred during the period covered by this report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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PART II OTHER INFORMATION

Item 1. Legal Proceedings.

None

Item 1A. Risk Factors.

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

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

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

Item 3. Defaults Upon Senior Securities.

None

Item 4. (Removed and Reserved)

Item 5. Other Information.

None

Item 6. Exhibits

(a) Exhibits

EXHIBIT NO.	IDENTIFICATION OF EXHIBIT
4.1	Form of Common Stock Purchase Warrant issued in August 2011 financing (incorporated by reference to Exhibit 4.1 to the Form 8-K filed August 4, 2011)
10.1	Securities Purchase Agreement dated August 3, 2011 (incorporated by reference to Exhibit 4.1 to the Form 8-K filed August 4, 2011)
10.2	Registration Rights Agreement dated August 3, 2011 (incorporated by reference to Exhibit 4.1 to the Form 8-K filed August 4, 2011)
31.1	Certification pursuant to Rule 13a-14(a) and 15d-14(a), required under Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification pursuant to Rule 13a-14(a) and 15d-14(a), required under Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	XBRL Instance Document.
101.SCH	XBRL Taxonomy Extension Schema Document.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.

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SIGNATURES

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

Fibrocell Science, Inc.

By: /s/ Declan Daly

Declan Daly
Chief Financial Officer

Date: November 14, 2011