ISOLAGEN INC
Form 10-Q/A
November 18, 2003

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

FORM 10 - Q/A

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2003

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

ISOLAGEN, INC.
(Exact name of registrant as specified in its charter)

Delaware	0-12666	87-0458888
(State or other jurisdiction of incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

2500 Wilcrest, 5th Floor
Houston, Texas 77042
(Address of principal executive offices, including zip code)

(713) 780-4754
(Registrant's telephone number, including area code)

Check whether the issuer: (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 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. [X] Yes [ ] No

Check whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act.) [ ] Yes [X] No

As of August 7, 2003, issuer had 15,916,769 shares of issued and outstanding common stock, par value $0.001.

EXPLANATORY NOTE

THIS QUARTERLY REPORT ON FORM 10-Q/A IS BEING FILED FOR THE PURPOSE OF AMENDING AND/OR REVISING (i) THE NUMBER OF SHARES ISSUED AND OUTSTANDING PRIOR TO THE AUGUST 10, 2001 TRANSACTION (DESCRIBED IN NOTE 1 TO THE FINANCIAL STATEMENTS) TO RETROACTIVELY REFLECT THE PAR VALUE AND ADDITIONAL PAID IN

CAPITAL FOR THE NUMBER OF SHARES RECEIVED BY THE ISOLAGEN TECHNOLOGIES STOCKHOLDERS IN THE TRANSACTION, AFTER GIVING EFFECT TO THE DIFFERENCE IN PAR VALUE AND (ii) THE WEIGHTED AVERAGE NUMBER OF BASIC AND DILUTED COMMON SHARES OUTSTANDING USED IN PRESENTING NET LOSS PER COMMON SHARE AFTER GIVING EFFECT TO THE REVISION IN ITEM (i) ABOVE, AND (iii) TO INCLUDE A STATEMENT OF STOCKHOLDER'S EQUITY DETAILING ALL EQUITY ACTIVITY DURING THE DEVELOPMENT STAGE. WE HAVE MADE NO FURTHER CHANGES TO THE PREVIOUSLY FILED FORM 10-Q/A FILED WITH THE SEC ON NOVEMBER 12, 2003. THE ABOVE DESCRIBED CHANGES HAD NO AFFECT ON OUR FINANCIAL POSITION OR RESULTS OF OPERATIONS, EXCEPT FOR THE EFFECT ON THE NET LOSS PER SHARE FROM THE CHANGE IN THE NUMBER OF WEIGHTED AVERAGE SHARES OUTSTANDING. ALL INFORMATION IN THIS QUARTERLY REPORT ON FORM 10-Q/A IS AS OF JUNE 30, 2003 AND DOES NOT REFLECT ANY SUBSEQUENT INFORMATION OR EVENTS OTHER THAN THOSE REFLECTED IN THE AMENDMENT.

Isolagen, Inc. has not amended its Annual Report on Form 10-KSB for the period ended December 31, 2001 or Quarterly Reports on Form 10-QSB for the periods during the year ended December 31, 2001.

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Isolagen, Inc.
(A Development Stage Company)
Consolidated Balance Sheets

	June 30, 2003	December 31, 2002
	(unaudited)	
ASSETS		
Current assets		
Cash and cash equivalents	$ 3,292,242	$ 4,244,640
Accounts receivable, net of allowance for doubtful accounts	59,177	40,204
Inventory	264,288	138,910
Other receivables	99,011	153,583
Prepaid expenses	256,902	284,557
Total current assets	3,971,620	4,861,894
Property and equipment, net	2,848,007	2,159,913
Intangible assets	540,000	--
Other assets	143,063	235,857
Total assets	$ 7,502,690	$ 7,257,664
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable	$ 1,538,004	$ 1,881,236
Accrued expenses	743,975	112,224
Deferred revenue	271,531	57,274
Total current liabilities	2,553,510	2,050,734
Total liabilities	2,553,510	2,050,734
Commitments and contingencies		
Shareholders' equity (deficit)		
Preferred stock, $.001 par value; 5,000,000 shares authorized:		

Preferred Stock - Series A $.001 par value; 3,500,000 shares authorized; 2,967,553 shares issued and outstanding	2,967	3,039
Preferred Stock - Series B $.001 par value; 200,000 shares authorized; 155,750 shares issued and outstanding	156	--
Common stock, $.001 par value; 50,000,000 shares authorized; 15,571,841 shares issued and outstanding	15,572	15,228
Additional paid-in capital	31,491,171	25,573,999
Other comprehensive income	124,970	13,875
Accumulated deficit during development stage	(26,685,656)	(20,399,211)
Total shareholders' equity (deficit)	4,949,180	5,206,930
Total liabilities and shareholder's equity	$ 7,502,690	$ 7,257,664

The accompanying notes are an integral part of these statements.

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

	Six Months Ended June 30,		Cumulative Period from December 28, 1995 (date of inception) to June 30,
	2003	2002	2003
Revenues			
Sales	$ 79,796	$ 2,518	$ 1,520,901
License fees	--	40,000	260,000
Total revenues	79,796	42,518	1,780,901
Cost of sales	48,861	--	486,453
Gross profit	30,935	42,518	1,294,448
Selling, general and administrative expenses	3,523,056	1,474,109	10,683,715
Research and development	1,204,538	647,354	4,974,658
Operating loss	(4,696,659)	(2,078,945)	(14,363,925)
Other income (expense)			
Interest income	10,620	19,063	247,709
Other income	55,663	32,421	88,084
Loss on disposal of asset	--	--	(8,222)

Interest expense	--	--	(311,628)
Net loss	$ (4,630,376)	$ (2,027,461)	$(14,347,982)
Deemed dividend associated with beneficial conversion of preferred stock	(1,244,880)	(9,594,052)	(11,423,824)
Preferred stock dividends	(411,189)	(94,906)	(913,850)
Net loss attributable to common stockholders	$ (6,286,445)	$(11,716,419)	$(26,685,656)
Per shares information			
Net loss - basic and diluted	$ (0.30)	$ (0.13)	$ (2.50)
Deemed dividend associated with beneficial conversion of preferred stock	(0.08)	(0.63)	(1.99)
	(0.03)	(0.01)	(0.16)
Net loss common share - basic and diluted	$ (0.41)	$ (0.77)	$ (4.65)
Weighted average number of basic and diluted common shares outstanding	15,348,709	15,189,563	5,739,727

The accompanying notes are an integral part of these statements.

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

	Three Months Ended June 30,	
	2003	2002
Revenues		
Sales	$ 79,425	$ --
License fees	--	20,000
Total revenues	79,425	20,000
Cost of sales	47,867	--
Gross profit	31,558	20,000
Selling, general and administrative expenses	1,862,566	925,597
Research and development	613,457	422,272

Operating loss	(2,444,465)	(1,327,869)
Other income (expense)		
Interest income	3,190	14,525
Other income	--	32,421
Interest expense	--	--
Net loss	$ (2,441,275)	$ (1,280,923)
Deemed dividend associated with beneficial conversion of preferred stock	(1,244,880)	(9,594,052)
Preferred stock dividends	(201,450)	(94,506)
Net loss attributable to common stockholders	$ (3,887,605)	$(10,869,481)
Per shares information		
Net loss - basic and diluted	$ (0.16)	$ (0.08)
Deemed dividend associated with beneficial conversion of preferred stock	(0.08)	(0.63)
Preferred stock dividends	(0.01)	(0.01)
Net loss common share - basic and diluted	$ (0.25)	$ (0.72)
Weighted average number of basic and diluted common shares outstanding	15,343,047	15,189,563

The accompanying notes are an integral part of these statements.

Isolagen, Inc.
(A Development Stage Company)
Consolidated Statements of Shareholders' Equity

	Series A Preferred Stock		Series B Preferred Stock		Common Stock	
	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
Issuance of common stock for cash on 11/7/96	--	--	--	--	11,149	11
Issuance of common stock for cash on 11/29/96	--	--	--	--	2,230	2
Issuance of common stock for cash on 12/19/96	--	--	--	--	6,690	7

Issuance of common stock for cash on 12/26/96	--	--	--	--	11,148	11
Net loss	--	--	--	--	--	--
Balance, 12/31/96	--	$ --	--	$ --	2,316,508	$ 2,316
Issuance of common stock for cash on 12/27/97	--	--	--	--	21,182	21
Issuance of common stock for Services on 9/1/97	--	--	--	--	11,148	11
Issuance of common stock for Services on 12/28/97	--	--	--	--	287,193	287
Net loss	--	--	--	--	--	--
Balance, 12/31/97	--	$ --	--	$ --	2,636,031	$ 2,635

		Treasury Stock		
	Other Comprehensive Income	Number of Shares	Amount	Total Shareholders' Equity (Deficit)
Issuance of common stock for cash on 12/28/95	$ --	--	$ --	$ 820
Issuance of common stock for cash on 11/7/96	--	--	--	50,000
Issuance of common stock for cash on 11/29/96	--	--	--	10,000
Issuance of common stock for cash on 12/19/96	--	--	--	30,000
Issuance of common stock for cash on 12/26/96	--	--	--	50,000
Net loss	--	--	--	(270,468)
Balance, 12/31/96	$ --	--	$ --	$ (129,648)
Issuance of common stock for cash on 12/27/97	--	--	--	95,000
Issuance of common stock for Services on 9/1/97	--	--	--	36,260
Issuance of common stock for Services on 12/28/97	--	--	--	10,255
Net loss	--	--	--	(52,550)
Balance, 12/31/97	$ --	--	$ --	$ (40,683)

The accompanying notes are an integral part of these statements.

Isolagen, Inc.
(A Development Stage Company)
Consolidated Statements of Shareholders' Equity (Continued)

Series A Series B

	Preferred Stock		Preferred Stock		Common Stock	
	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount
Issuance of common stock for cash on 8/23/98	--	$ --	--	$ --	4,459	$ 4
Repurchase of common stock on 9/29/98	--	--	--	--	--	--
Net loss	--	--	--	--	--	--
Balance, 12/31/98	--	$ --	--	$ --	2,640,490	$ 2,639
Issuance of common stock for cash on 9/10/99	--	--	--	--	52,506	53
Net loss	--	--	--	--	--	--
Balance, 12/31/99	--	$ --	--	$ --	2,692,996	$ 2,692
Issuance of common stock for cash on 1/18/00	--	--	--	--	53,583	54
Issuance of common stock for Services on 3/1/00	--	--	--	--	68,698	69
Issuance of common stock for Services on 4/4/00	--	--	--	--	27,758	28
Net loss	--	--	--	--	--	--
Balance, 12/31/00	--	$ --	--	$ --	2,843,045	$ 2,843

	Other Comprehensive Income	Treasury Stock Number of Shares	Treasury Stock Amount	Total Shareholders' Equity (Deficit)
Issuance of common stock for cash on 8/23/98	$ --	--	$ --	$ 20,067
Repurchase of common stock on 9/29/98	--	2,400	(50,280)	(50,280)
Net loss	--	--	--	(195,675)
Balance, 12/31/98	$ --	2,400	$(50,280	$ (266,571)
Issuance of common stock for cash on 9/10/99	--	--	--	150,000
Net loss	--	--	--	(1,306,778)
Balance, 12/31/99	$ --	2,400	$(50,280	$ (1,423,349)
Issuance of common stock for cash on 1/18/00	--	--	--	1,923
Issuance of common stock for Services on 3/1/00	--	--	--	25
Issuance of common stock for Services on 4/4/00	--	--	--	10
Net loss	--	--	--	(807,076)
Balance, 12/31/00	$ --	2,400	$(50,280	$ (2,228,467)

The accompanying notes are an integral part of these statements.

Isolagen, Inc.
(A Development Stage Company)
Consolidated Statements of Shareholders' Equity (Continued)

	Series A Preferred Stock		Series B Preferred Stock		Common Stock		Treasury Stock	Total
	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount		
Issuance of common stock for services on 7/1/01	--	$ --	--	$ --	156,960	$ 157		
Issuance of common stock for services on 7/1/01	--	--	--	--	125,000	125		
Issuance of common stock for capitalization of accrued salaries on 8/10/01	--	--	--	--	70,000	70		
Issuance of common stock for conversion of convertible debt on 8/10/01	--	--	--	--	1,750,000	1,750		
Issuance of common stock for conversion of convertible shareholder notes payable on 8/10/01	--	--	--	--	208,972	209		
Issuance of common stock for bridge financing on 8/10/01	--	--	--	--	300,000	300		
Retirement of treasury stock on 8/10/01	--	--	--	--	--	--		
Issuance of common stock for net assets of Gemini on 8/10/01	--	--	--	--	3,942,400	3,942		
Issuance of common stock for net assets of AFH on 8/10/01	--	--	--	--	3,899,547	3,900		
Issuance of common stock for cash on 8/10/01	--	--	--	--	1,346,669	1,347		
Transaction and fund raising expenses on 8/10/01	--	--	--	--	--	--		
Issuance of common stock for services on 8/10/01	--	--	--	--	60,000	60		
Issuance of common stock for cash on 8/28/01	--	--	--	--	26,667	27		
Issuance of common stock for services on 9/30/01	--	--	--	--	314,370	314		

	Other Comprehensive Income	Number of Shares	Amount	Shareholders' Equity (Deficit)
Issuance of common stock for services on 7/1/01	$ --	--	$ --	$ 56
Issuance of common stock for services on 7/1/01	--	--	--	45
Issuance of common stock for capitalization of accrued salaries on 8/10/01	--	--	--	328,125
Issuance of common stock for conversion of convertible debt on 8/10/01	--	--	--	1,611,346
Issuance of common stock for conversion of convertible shareholder notes payable on 8/10/01	--	--	--	135,667
Issuance of common stock for bridge financing on 8/10/01	--	--	--	108
Retirement of treasury stock on 8/10/01	--	(2,400)	50,280	--
Issuance of common stock for net assets of Gemini on 8/10/01	--	--	--	--
Issuance of common stock for net assets of AFH on 8/10/01	--	--	--	--
Issuance of common stock for cash on 8/10/01	--	--	--	2,020,000
Transaction and fund raising expenses on 8/10/01	--	--	--	(48,547)
Issuance of common stock for services on 8/10/01	--	--	--	60
Issuance of common stock for cash on 8/28/01	--	--	--	40,000
Issuance of common stock for services on 9/30/01	--	--	--	471,555

The accompanying notes are an integral part of these statements.

Isolagen, Inc.
(A Development Stage Company)
Consolidated Statements of Shareholders' Equity (Continued)

	Series A Preferred Stock	Series B Preferred Stock	Common Stock
	Number of	Number of	Number of

	Shares	Amount	Shares	Amount	Shares	Amoun
Uncompensated contribution of services - 3rd quarter	--	$ --	--	$ --	--	$
Issuance of common stock for services on 11/1/01	--	--	--	--	145,933	1
Uncompensated contribution of services - 4th quarter	--	--	--	--	--	
Net loss	--	--	--	--	--	
Balance, 12/31/01	--	$ --	--	$ --	15,189,563	$ 15,1
Uncompensated contribution of services - 1st quarter	--	--	--	--	--	
Issuance of preferred stock for cash on 4/26/02	905,000	905	--	--	--	
Issuance of preferred stock for cash on 5/16/02	890,250	890	--	--	--	
Issuance of preferred stock for cash on 5/31/02	795,000	795	--	--	--	
Issuance of preferred stock for cash on 6/28/02	229,642	230	--	--	--	
Uncompensated contribution of services - 2nd quarter	--	--	--	--	--	
Issuance of preferred stock for cash on 7/15/02	75,108	75	--	--	--	
Issuance of common stock for cash on 8/1/02	--	--	--	--	38,400	
Issuance of warrants for services on 9/06/02	--	--	--	--	--	
Uncompensated contribution of services - 3rd quarter	--	--	--	--	--	
Uncompensated contribution of services - 4th quarter	--	--	--	--	--	
Issuance of preferred stock for dividends	143,507	144	--	--	--	
Deemed dividend associated with beneficial conversion of preferred stock	--	--	--	--	--	
Comprehensive income:						
Net loss	--	--	--	--	--	
Other comprehensive income, foreign currency translation adjustment	--	--	--	--	--	
Comprehensive loss	--	--	--	--	--	
Balance, 12/31/02	3,038,507	$ 3,039	--	$ --	15,227,963	$ 15,2

		Treasury Stock		
	Other Comprehensive Income	Number of Shares	Amount	Total Shareholders' Equity (Deficit)
Uncompensated contribution of				

services - 3rd quarter	$ --	--	$ --	$ 55,556
Issuance of common stock for services on 11/1/01	--	--	--	218,900
Uncompensated contribution of services - 4th quarter	--	--	--	100,000
Net loss	--	--	--	(1,652,004)
Balance, 12/31/01	$ --	--	$ --	$ 1,052,400
Uncompensated contribution of services - 1st quarter	--	--	--	100,000
Issuance of preferred stock for cash on 4/26/02	--	--	--	2,818,236
Issuance of preferred stock for cash on 5/16/02	--	--	--	2,773,129
Issuance of preferred stock for cash on 5/31/02	--	--	--	2,474,175
Issuance of preferred stock for cash on 6/28/02	--	--	--	713,221
Uncompensated contribution of services - 2nd quarter	--	--	--	100,000
Issuance of preferred stock for cash on 7/15/02	--	--	--	233,961
Issuance of common stock for cash on 8/1/02	--	--	--	57,600
Issuance of warrants for services on 9/06/02	--	--	--	103,388
Uncompensated contribution of services - 3rd quarter	--	--	--	100,000
Uncompensated contribution of services - 4th quarter	--	--	--	100,000
Issuance of preferred stock for dividends	--	--	--	--
Deemed dividend associated with beneficial conversion of preferred stock	--	--	--	--
Comprehensive income:				
Net loss	--	--	--	(5,433,055)
Other comprehensive income, foreign currency translation adjustment	13,875	--	--	13,875
Comprehensive loss	--	--	--	(5,419,180)
Balance, 12/31/02	$ 13,875	--	$ --	$ 5,206,930

The accompanying notes are an integral part of these statements.

Isolagen, Inc.
(A Development Stage Company)
Consolidated Statements of Shareholders' Equity (Continued)

	Series A Preferred Stock	Series B Preferred Stock	Common
	Number	Number	Number

	of Shares	Amount	of Shares	Amount	of Shares
Issuance of common stock for cash on 1-7-03	--	--	--	--	61,600
Issuance of common stock for patent pending acquisition on 3/31/03	--	--	--	--	100,000
Cancellation of common stock on 3/31/03	--	--	--	--	(79,382)
Uncompensated contribution of services - 1st quarter	--	--	--	--	--
Issuance of preferred stock for cash on 5/9/03	--	--	110,250	110	--
Issuance of preferred stock for cash on 5/16/02	--	--	45,500	46	--
Conversion of preferred stock into common stock- 2nd qtr	(70,954)	(72)	--	--	147,062
Conversion of warrants into common stock- 2nd qtr	--	--	--	--	114,598
Uncompensated contribution of services - 2nd quarter	--	--	--	--	--
Issuance of preferred stock for dividends	--	--	--	--	--
Deemed dividend associated with beneficial conversion of preferred stock	--	--	--	--	--
Comprehensive income:					
Net loss	--	--	--	--	--
Other comprehensive income, foreign currency translation adjustment	--	--	--	--	--
Comprehensive loss	--	--	--	--	--
Balance, 6/30/03	2,967,553	$ 2,967	155,750	$ 156	$15,571,841

	Accumulated Deficit During Development Stage	Other Comprehensive Income	Treasury Stock Number of Shares	Treasury Stock Amount	T Share Eq (De
Issuance of common stock for cash on 1-7-03	--	--	--	--	
Issuance of common stock for patent pending acquisition on 3/31/03	--	--	--	--	
Cancellation of common stock on 3/31/03	--	--	--	--	(
Uncompensated contribution of services - 1st quarter	--	--	--	--	
Issuance of preferred stock for cash on 5/9/03	--	--	--	--	2,
Issuance of preferred stock for cash on 5/16/02	--	--	--	--	1,
Conversion of preferred stock					

into common stock- 2nd qtr	--	--	--	--	
Conversion of warrants into common stock- 2nd qtr	--	--	--	--	
Uncompensated contribution of services - 2nd quarter	--	--	--	--	
Issuance of preferred stock for dividends	(411,189)	--	--	--	(
Deemed dividend associated with beneficial conversion of preferred stock	(1,244,880)	--	--	--	
Comprehensive income:					
Net loss	(4,630,376)	--	--	--	(4,
Other comprehensive income, foreign currency translation adjustment	--	111,095	--	--	
Comprehensive loss	--	--	--	--	(4,
Balance, 6/30/03	$(26,685,656)	$ 124,970	--	$ --	$ 4,

The accompanying notes are an integral part of these statements.

Isolagen, Inc.
(A Development Stage Company)
Consolidated Statements of Cash Flows

	Six Months Ended June 30,		Cumula Period Decembe 1995 (d incepti June
	2003	2002	200
Cash flows from operating activities			
Net loss	$ (4,630,376)	$ (2,027,461)	$ (14,3
Adjustments to reconcile net loss to net cash used in operating activities:			
Common stock issued for services	--	43,573	1,2
Uncompensated contribution of services	200,000	200,000	7
Depreciation	357,077	8,918	5
Loss on sale of property and equipment	--	--	
Change in operating assets and liabilities:			
(Increase) in accounts receivable	(18,973)	(32,392)	(
(Increase) decrease in other receivables	54,572	--	(
(Increase) in inventory	(125,378)	--	(2
(Increase) decrease in prepaid expenses	27,655	--	(2
Increase (decrease) in other assets	92,794	(18,443)	(
Increase (decrease) in accounts payable	(343,232)	94,681	1,5
Increase in accrued expenses	220,519	134,880	3
Increase (decrease) in deferred revenue	214,257	(40,000)	2

Net cash used in operating activities	(3,951,085)	(1,636,244)	(10,4
Cash flows from investing activities			
Purchase of property and equipment	(1,045,170)	(86,327)	(3,3
Proceeds from the sale of property and equipment	--	--	
Net cash used in investing activities	(1,045,170)	(86,327)	(3,3
Cash flows from financing activities			
Proceeds from the issuance of preferred stock	3,919,078	8,778,762	12,9
Proceeds from convertible debt	--	--	1,4
Proceeds from notes payable to shareholders	--	--	1
Proceeds from the issuance of common stock	92,400	--	2,6
Merger and acquisition expenses	--	--	(
Repurchase of common stock	--	--	(
Net cash provided by financing activities	4,011,478	8,778,762	17,0
Effect of exchange rate changes on cash balance	32,379	477	
Net increase (decrease) in cash and cash equivalents	(952,398)	7,056,668	3,2
Cash and cash equivalents, beginning of period	4,244,640	1,380,824	
Cash and cash equivalents, end of period	$ 3,292,242	$ 8,437,492	$ 3,2
Supplemental disclosures of cash flow information:			
Cash paid for interest	$ --	$ --	$ 1
Deemed dividend associated with beneficial conversion of preferred stock	1,244,880	9,594,052	11,4
Preferred stock dividend	411,189	94,906	9
Common stock issued for services	--	43,573	1,2
Uncompensated contribution of services	200,000	200,000	7

The accompanying notes are an integral part of these statements.

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Isolagen, Inc.
(A Development Stage Company)
Notes to Unaudited Consolidated Financial Statements

NOTE 1 - BASIS OF PRESENTATION, BUSINESS AND ORGANIZATION

Isolagen, Inc. f/k/a American Financial Holding, Inc., a Delaware corporation ("Isolagen" or the "Company") is the parent company of Isolagen Technologies, Inc., a Delaware corporation ("Isolagen Technologies"). Isolagen Technologies is the parent company of Isolagen Europe Limited ("Isolagen Europe"), a company organized under the laws of the United Kingdom and wholly-owned subsidiary of Isolagen Technologies. Isolagen Technologies is the parent company of Isolagen Australia Pty Limited ("Isolagen Australia"), a company organized under the laws of the Australia and wholly-owned subsidiary of

Isolagen Technologies. The common stock, par value $0.001 per share, of the Company ("Common Stock") is traded on the American Stock Exchange ("AMEX") under the symbol "ILE."

Isolagen is an emerging pharmaceutical bioscience company specializing in the development and commercialization of autologous cellular therapy for hard and soft tissue regeneration and other therapies. Isolagen currently holds five patents. Autologous cellular therapy is a process whereby a patient's own cells are extracted, reproduced and then reintroduced to the patient for specific cosmetic and medical applications. Unlike other applications for the treatment of dermal defects, Isolagen utilizes only the patient's unique, living cells to produce the patient's own collagen. There is no foreign substance utilized in this treatment protocol. Isolagen's goal is to become an industry leader in the research, development and commercialization of autologous cellular therapy which stimulate a patient's own collagen production.

In 1995, Isolagen Technologies began treating a small percentage of patients to correct defects (e.g., wrinkles, depressions and scarring) in the patient's face. Between 1995 and 1999, approximately 200 doctors utilized the Isolagen Process on approximately 963 patients with positive results. In 1997, the FDA began regulating the science of biologics. Biologics, in contrast to drugs that are chemically synthesized, are derived from living sources (such as humans, animals, and microorganisms) like the Isolagen Process. In 1995, when Isolagen Technologies began operations, the FDA had no regulations governing this area of biologics. After reviewing the new regulations and seeking the advice of consultants, Isolagen concluded that the use of the Isolagen Process in cosmetic applications did not require the approval of the FDA. In 1999, Isolagen Technologies filed a request for authorization from the FDA to administer an investigational drug or biological product to humans. Such authorization must be secured prior to commercialization of any new drug or biological product. The FDA placed the authorization on clinical hold until Isolagen Technologies' manufacturing processes and procedures were changed to meet these new biologics standards, and FDA approval is obtained. In April 2002, the FDA approved Isolagen's Investigational New Drug Application ("IND") for the treatment of wrinkles and scars and clinical trial are underway. The Company's Phase III/Exploratory trial for dermal defects has commenced, is being conducted in ten sites, and involves physicians who are either plastic surgeons or dermatologists with practices that emphasize aesthetic procedures. The patients' enrollment has been completed and totals one hundred fifty-two patients. To date, 100% of the patients have had their first consultation. The final patient injection are scheduled for November 2003. This Phase III/Exploratory trial is a double-blind study with 75% of the patients receiving the therapeutic dosage and the remaining 25% receiving a placebo. In addition, in January of 2003, Isolagen commenced a double-blind Phase II trial under the IND, which is a two-site dose ranging study of forty patients. Isolagen is completing its analysis of the data from the Phase II trial. Finally, Isolagen also has a Phase I clinical trial of twenty-one patients for dental applications addressing gingival recession. Isolagen expects to complete this study in the first quarter of 2004.

The Company received a letter from the FDA dated October 28, 2003, from the Office of Cellular, Tissue, and Gene Therapies. The letter is in response to our request for clarification of study design comments that the FDA alluded to previously. The Company believes that they will be able to respond to all comments in the letter and will be doing so in a face to face meeting with the FDA at the end of 2003. The majority of issues relate to comments that have already been addressed and are the subject of submissions which we will make in preparation for our upcoming meeting with the FDA. At that time, the Company will attempt to resolve any remaining study design issues. Successful resolution of these issues with the FDA may permit the Company to use the study data from the Phase III/Exploratory study for license application or to supplement this data with well controlled additional

studies. However, there can be no assurance that we will be able to satisfy the study design issues presented by the FDA.

The Company's goal is to become an industry leader in the research, development and commercialization of autologous cellular therapy which stimulate a patient's own collagen production. The Company, through Isolagen Europe, has commenced commercial operations in the United Kingdom and is pursuing commercial operations through subsidiaries, joint ventures or license arrangements in Australia, South Korea, Hong Kong, Brazil, Mexico and elsewhere. The Company is investigating regulatory and other requirements in these countries and evaluating markets and potential joint venture partners and licensees. In July 2003, the Company received License No. 174347 from the Therapeutic Goods Administration ("TGA"), in Australia, to begin the manufacture of autologous fibroblasts including the initiation of primary cultures of fibroblasts, the propagation of fibroblasts, the harvesting of cultured fibroblasts, the storage of cultured fibroblasts and release for supply of cultured fibroblasts. The Company is not in a position to predict, when or if licenses will be granted in any jurisdiction.

Through June 30, 2003, the Company has been primarily engaged in developing its initial product technology, recruiting personnel, commencing its United Kingdom operations and raising capital. In the course of its development activities, the Company has sustained losses and expects such losses to continue through 2004. The Company will finance its operations primarily through its existing cash, future financing and revenues.

The Company's ability to operate profitably under its current business plan is largely contingent upon its success in obtaining further sources of debt and equity capital, prompt regulatory approval to sell its products and upon its continued expansion. The Company will require additional capital in the future to expand its operations. No assurance can be given that the Company will be able to obtain any such additional capital, either through equity or debt financing, on satisfactory terms or at all. Additionally, no assurance can be given that any such financing, if obtained, will be adequate to meet the Company's ultimate capital needs and to support the Company's growth. If adequate capital cannot be obtained on satisfactory terms, the Company's operations could be negatively impacted.

If the Company achieves growth in its operations in the next few years, such growth could place a strain on its management, administrative, operational and financial infrastructure. The Company's ability to manage its operations and growth requires the continued improvement of operational, financial and management controls, reporting systems and procedures. In addition, the Company may find it necessary to hire additional management, financial and sales and marketing personnel to manage the Company's expanding operations. If the Company is unable to manage this growth effectively and successfully, the Company's business, operating results and financial condition may be materially adversely affected.

As of June 30, 2003, the Company had a cash balance of $3,292,242. As of August 7, 2003, the Company had a cash balance of approximately $2.2 million. The long-term viability of the Company is dependent upon successful operation of its business and the ability to raise additional debt and equity within the near future.

Acquisition and merger and basis of presentation

On August 10, 2001, Isolagen Technologies consummated a merger with American Financial Holdings, Inc. ("AFH") and Gemini IX, Inc. ("Gemini"). Pursuant to an Agreement and Plan of Merger, dated August 1, 2001, by and among AFH, ISO Acquisition Corp, a Delaware corporation and wholly-owned subsidiary of AFH ("Merger Sub"), Isolagen Technologies, Gemini, a Delaware corporation, and William J Boss, Jr., Olga Marko and Dennis McGill, stockholders of Isolagen Technologies (the "Merger Agreement"), AFH (i) issued 5,453,977 shares of its common stock, par value $0.001 to acquire, in a privately negotiated transaction, 100% of the issued and outstanding common stock (195,707 shares, par value $0.01, including the shares issued immediately prior to the Merger for the conversion of certain liabilities, as discussed below) of Isolagen Technologies, and (ii) issued 3,942,000 shares of its common stock to acquire 100% of the issued and outstanding common stock of Gemini. Pursuant to the terms of the Merger Agreement, Merger Sub, together with Gemini, merged with and into Isolagen Technologies (the "Merger"), and AFH was the surviving corporation. AFH subsequently changed its name to Isolagen, Inc. on November 13, 2001.

Prior to the Merger, Isolagen Technologies had no active business and was seeking funding to begin U.S. Food and Drug Administration ("FDA") trials of the Isolagen Process. AFH was a non-operating, public shell

company with limited assets. Gemini was a non-operating private company with limited assets and was unaffiliated with AFH.

Since AFH and Gemini had no operations and limited assets at the time of the Merger, the merger has been accounted for as a recapitalization of Isolagen Technologies and an issuance of common stock by Isolagen Technologies for the net assets of AFH and Gemini. In the recapitalization, Isolagen Technologies is treated as having affected (i) a 27.8694 for 1 stock split, whereby the 195,707 shares of its common stock outstanding immediately prior the merger are converted into the 5,453,977 shares of common stock received and held by the Isolagen Technologies stockholders immediately after the merger, and (ii) a change in the par value of its common stock, from $0.01 per share to $0.001 per share. The stock split and change in par value have been reflected in the accompanying consolidated financial statements by retroactively restating all share and per share amounts. The stock issuances are accounted for as the issuance of (i) 3,942,400 shares for the net assets of Gemini, recorded at their book value, and (ii) the issuance of 3,899,547 shares (the number of shares AFH had outstanding immediately prior to the Merger) for the net assets of AFH, recorded at their book value.

Immediately prior to and as a condition of the Merger, Isolagen Technologies issued an aggregate of 2,328,972 shares (post split) of its common stock to convert to equity an aggregate of $2,075,246 of liabilities, comprised of (i) accrued salaries of $328,125, (ii) convertible debt and related accrued interest of $1,611,346, (iii) convertible shareholder notes and related accrued interest of $135,667 and (iv) bridge financing costs of $108. Simultaneous with the Merger, the Company sold 1,346,669 shares of restricted common stock to certain accredited investors in a private placement transaction. The consideration paid by such investors for the shares of common stock aggregated $2,020,000 in transactions exempt from the registration requirements of the Securities Act. The net cash proceeds of this private placement were used to fund Isolagen's research and development projects and the initial FDA trials of the Isolagen Process, to explore the viability of entering foreign markets, to provide working capital and for general corporate purposes.

The financial statements presented include Isolagen, Inc. and its

wholly-owned subsidiaries. All significant intercompany transactions and balances have been eliminated. Isolagen Technologies was, for accounting purposes, the continuing entity of the Merger, and accordingly for the periods prior to the Merger, the financial statements reflect the financial position, results of operations and cash flows of Isolagen Technologies. The assets, liabilities, operations and cash flows of AFH and Gemini are included in the consolidated financial statements from August 10, 2001 onward.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Interim financial information

The financial statements included herein, which have not been audited pursuant to the rules and regulations of the Securities and Exchange Commission, reflect all adjustments which, in the opinion of management, are necessary for a fair presentation of financial position, results of operations and cash flows for the interim periods on a basis consistent with the annual audited statements. All such adjustments are of a normal recurring nature. The results of operations for interim periods are not necessarily indicative of the results that may be expected for any other interim period of a full year. Certain information, accounting policies and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been omitted pursuant to such rules and regulation, although the Company believes that the disclosures are adequate to make the information presented not misleading. These financial statements should be read in conjunction with the Company's audited financial statements included in the Company's current report on Form 10-KSB filed with the Securities and Exchange Commission on March 31, 2003.

RESTATEMENT OF FINANCIAL STATEMENTS

Subsequent to the issuance of the Company's financial statements as of June 30, 2003 and for the six month and three month periods ended June 30, 2003 and 2002, the Company identified several errors that were required to be corrected in the previously reported financial statements. The principal reasons and effects of the adjustments are summarized below:

Beneficial Conversion Feature: During 2003 and 2002, the Company completed private placements of Series A and Series B Convertible Preferred Stock. Imbedded within the instruments was a beneficial conversion feature that was not recorded. Accordingly, the Company revised its financial statements as of June 30, 2003 and for the six month and three month periods ended June 30, 2003 and 2002 to record deemed dividends to the holders of the preferred stock totaling $1,244,880 and $9,594,052 for the six and three month periods ended June 30, 2003 and 2002, respectively. The Company's financial statements reflect an increase in the retained deficit and a corresponding increase in paid-in capital for this amount. The deemed dividend associated with the beneficial conversion is calculated as the difference between the fair value of the underlying common stock less the proceeds that have been received for the Series A Preferred Stock and the Series B Preferred Stock limited to the value of the proceeds received. Also, the Company has included preferred dividends accrued for the six months ended June 30, 2003 and 2002 of $411,189 and $94,906, respectively, and for the three months ended June 30, 2003 and 2002 of $201,450 and $94,906, respectively, in the computation of net loss attributable to common shareholders. (see Note 4)

Contributed Services: During 2002 and 2001, certain officers and

directors of the Company were not compensated for a portion of their services provided to Company. The financial statements are to reflect the total cost of conducting its business which includes the value of contributed services. Accordingly, the Company has recorded contribution services from officers totaling $200,000 for each of the six month periods ended June 30, 2003 and 2002 and $100,000 for each of the three month periods ended June 30, 2003 and 2002, respectively. We estimated the value of the contributed services based upon our estimate of their fair market value. This contribution of services was recorded as an increase in compensation expense and an increase in additional paid in capital. (see Note 4)

Weighted Average Shares Utilized in the Calculation Percentage Loss Per Share: As described in Note 1, the Merger was accounted for as a recapitalization of Isolagen Technologies and the issuance of shares of common stock for the net assets of AFH and Gemini. The number of weighted average shares outstanding computed for the purposed of computing basic and diluted loss per share were revised to correctly reflect this accounting treatment.

Together these restatements changed the net loss per share attributable to common shareholders from $0.29 to $0.41 for the six months ended June 30, 2003, from $0.12 to $0.77 for the six months ended June 30, 2002, from $0.15 to $0.25 for the three months ended June 30, 2003, from $0.08 to $0.72 for the three months ended June 30, 2002, and the cumulative from inception net loss per share has increased from $2.37 to $4.65.

Statement of cash flows

For purposes of the statements of cash flows, the Company considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Concentration of credit risk

The Company maintains its cash with a major U.S. domestic bank. The amounts held in this bank exceed the insured limit of $100,000 from time to time. The terms of these deposits are on demand to minimize risk. The Company has not incurred losses related to these deposits.

The Company is subject to risks common to companies in the development stage including, but not limited to, development of new products, development of markets and distribution channels, dependence on key personnel, and the ability to obtain additional capital as needed to fund its product plans. The Company has a limited operating history and has yet to generate any significant revenues from customers. To date, the Company has been funded by private debt and equity financings. The Company's ultimate success is dependent upon its ability to raise additional capital and to successfully develop and market its products.

The products developed by the Company require approvals from the United States FDA or other international regulatory agencies prior to commercial sales. There can be no assurance that all of the Company's products will receive the necessary approvals. If the Company was denied such approvals or such approvals were delayed, it may have a material adverse impact on the Company.

Inventory

Inventory primarily consists of raw materials used in the Isolagen Process. Inventory is stated at the lower of cost or market and cost is

determined by the weighted average method.

Property and equipment

Property and equipment, consisting primarily of lab equipment, computer equipment, leasehold improvements, and office furniture and fixtures is carried at cost less accumulated depreciation. Depreciation for financial reporting purposes is provided by the straight-line method over the estimated useful lives of three to five years subject to half year convention. Leasehold improvements are amortized using the straight-line method over the remaining life of the lease. The cost of repairs and maintenance is charged against income as incurred.

Intangible assets

In the first quarter of 2003, the Company entered into an Intellectual Property Purchase Agreement to acquire two pending patent applications. As consideration, the Company issued the seller 100,000 shares of its Common Stock and royalty equal to (a) 5% of all revenues recognized by the Company or its Affiliates from commercial application of the Intellectual Property made, provided, distributed, sold or manufactured directly by the Company or its Affiliates, or (b) 25% of all revenues recognized by the Company or its Affiliates from licensing, sublicensing, transferring or selling the Intellectual Property to a third party, without offset or deduction for general and administrative or operating costs, subject to a total maximum royalty of $2 million. The pending patent applications are recorded as intangible assets at their acquisition cost and will be amortized over their estimated useful lives on a straight-line basis.

Earnings per share data

Basic earnings (loss) per share is calculated based on the weighted average common shares outstanding during the period, after giving effect to the manner in which the merger was accounted for as described in Note 1. Diluted earnings per share also gives effect to the dilutive effect of stock options, warrants and convertible preferred stock (calculated based on the treasury stock method). The Company does not present diluted earnings per share for years in which it incurred net losses as the effect is antidilutive.

Stock-based compensation

The Company accounts for its stock-based compensation under the provisions of Statement of Financial Accounting Standards ("SFAS") No. 123 - "Accounting for Stock Based Compensation." Under SFAS No. 123, the Company is permitted to either record expenses for stock options and other employee compensation plans based on their fair value at the date of grant or to continue to apply its current accounting policy under Accounting Principles Board Opinion No. 25 "Accounting for Stock Issued to Employees," ("APB No. 25"), and recognize compensation expense, if any, based on the intrinsic value of the equity instrument at the measurement date. The Company elected to continue following the provisions of APB No. 25.

In December 2002, the Financial Accounting Standards Board ("FASB") issued SFAS No. 148, "Accounting for Stock-Based Compensation-Transition and Disclosure". This statement provides guidance for those companies wishing to voluntarily change to the fair value based method of accounting for stock-based compensation. The statement also amends the disclosure requirements of SFAS No, 123, requiring prominent disclosure in annual and interim financial statements regarding a company's method for accounting for stock-based employee compensation and the effect of the method on reported results. While Isolagen continues to utilize the disclosure-only provisions of SFAS No. 123, it has modified its disclosures to comply with the new statement.

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 carryforwards ("NOLs"). 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.

Revenue recognition

The Company recognizes revenue from product sales when goods are shipped and the risk of loss transfers to the customer. Revenue from licenses and other upfront fees are recognized on a ratable basis over the term of the respective agreement. Milestone payments are recognized upon successful completion of a performance milestone event. Any amounts received in advance of performance are recorded as deferred revenue. The Company recognizes revenue over the period the service is performed in accordance with SEC Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements" ("SAB 101"). SAB 101 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) collectibility is reasonably assured. We believe that all of these conditions are met at the time of shipment. Currently, three injections are recommended, although the decision to utilize one, two or three injections is between the attending physician and his/her patient. The amount invoiced is fixed and determinable and only varies among customers depending upon the number of injections requested. There is no performance provision under any arrangement with any doctor and there is no right to refund, or returns for unused injections.

Currently the Isolagen Process is delivered through an attending physician to each patient in the Company's recommended regimen of up to three injections. Each injection has stand alone value to the patient. The Company invoices the attending physician upon that physician submitting his/her patient's tissue sample to the Company; thus the contractual arrangement is between the Company and the medical professional. The amount invoiced varies directly with the number of injections requested. All orders are paid in advance by the physician and are not refundable. Revenue is deferred until shipment, provided no significant obligations remain, and is recognized in installments corresponding to the number of injections shipped to the attending physician. Due to the short shelf life, each injection is cultured on an as needed basis and shipped prior to the individual injection being administered by the physician. The amount of the revenue deferral represents the fair value of the remaining undelivered injections defined in accordance with EITF 00-21, which addresses the issue of accounting for arrangements that involve the delivery of multiple products or services. Should the physician discontinue the regimen prematurely all remaining deferred revenue is recognized.

Promotional incentives

The Company periodically offers promotional incentives to physicians on

a case-by-case basis. Promotional incentives are provided to physicians in the form of 'at no charge' Isolagen Treatments and Isolagen Treatments offered at a discount to the suggested price list. The Company does not receive any identifiable benefit from the physicians in exchange for any promotional incentives granted.

The Company does not record any revenue related to 'at no charge' Isolagen Treatments and the cost to provide such treatments is expensed as incurred. The Company records any discounts granted as a reduction in revenue (i.e.net revenue after discount) from that specific transaction. The Company believes this accounting treatment complies with Emerging Issues Task Force ("EITF")-01-09: "Accounting for Consideration Given by a Vendor to a Customer (Including a Reseller of the Vendor's Products)."

Foreign currency translation

The financial position and results of operations of the Company's foreign subsidiaries are generally determined using the local currency as the functional currency. Assets and liabilities of these subsidiaries are translated at the exchange rate in effect at each year-end. Income statement accounts are translated at the average rate of exchange prevailing during the year. Adjustments arising from the use of differing exchange rates from period to period are included in other comprehensive income in stockholders' equity. Gains and losses resulting from foreign currency transactions are included in earnings and have not been material in any one year.

Comprehensive income

Comprehensive income encompasses all changes in equity other than those with stockholders and consists of net earnings and foreign currency translation adjustments. The Company does not provide for U.S. income taxes on foreign currency translation adjustments since it does not provide for such taxes on undistributed earnings of foreign subsidiaries.

Research and development expenses

Research and development expenses include direct costs, research-related overhead, and costs associated with improved process science, manufacturing and cost reduction are charged to operations as incurred.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Recent accounting pronouncements

In December 2002, the Emerging Issues Task Force, ("EITF"), issued EITF Issue 00-21, Accounting for Revenue Arrangements with Multiple Deliverables. EITF 00-21 provides guidance on determining whether a revenue arrangement contains multiple deliverable items and if so, requires that revenue be allocated amongst the different items based on fair value. EITF 00-21 also requires that revenue or any item in a revenue arrangement with multiple

deliverables not delivered completely must be deferred until delivery of the item is completed. The guidance in EITF 00-21 is effective for revenue arrangements entered into in fiscal periods beginning after June 15, 2003. The Company does not expect that implementation of EITF 00-21 will have a material impact on its results of operations or financial position.

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation-Transition and Disclosure". This statement provides guidance for those companies wishing to voluntarily change to the fair value based method of accounting for stock-based compensation. The statement also amends the disclosure requirements of Statement 123, requiring prominent disclosure in annual and interim financial statements regarding a company's method for accounting for stock-based employee compensation and the effect of the method on reported results. While Isolagen continues to utilize the disclosure-only provisions of SFAS No. 123, it has modified its disclosures to comply with the new statement.

In January 2003, the FASB issued FIN 46, "Consolidation of Variable Interest Entities", which requires the consolidation of variable interest entities. FIN 46 is applicable to variable interest entities created after January 31, 2003. Variable interest entities created prior to February 1, 2003 must be consolidated effective July 1, 2003. Isolagen adopted FIN 46 in the quarter ended June 30, 2003, and it did not have a material impact on our financial position or results of operations.

In April 2003, the FASB issued SFAS No. 149, Amendment of Statement 133 on Derivative Instruments and Hedging Activities", which amends and clarifies financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities under SFAS 133. SFAS 149 is effective for contracts entered into or modified after June 30, 2003, and for hedging relationships designated after June 30, 2003. Isolagen will adopt SFAS 149 effective July 1, 2003, and does not expect that the provisions of SFAS 149 will have a material impact on the Company's financial position or results of operations.

In May 2003, the FASB issued SFAS No. 150, Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity". SFAS 150 requires that certain financial instruments, which under previous guidance were accounted for as equity, must now be accounted for as liabilities. The financial instruments affected include mandatory redeemable stock, certain financial instruments that require or may require the issuer to buy back some of its shares in exchange for cash or other assets and certain obligations that can be settled with shares of

stock. SFAS 150 is effective for all financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. SFAS 150 was adopted in the quarter ended June 30, 2003 and it did not have an impact of the Company's financial positions or results of operations.

NOTE 3 - CONTINGENCIES

On October 9, 1996, the Company was advised by the Enforcement Division of the Securities and Exchange Commission (the "Commission") that it is considering recommending that the Commission bring an enforcement action, which could include a civil penalty, against the Company in U.S. District Court for failing to file timely periodic reports in violation of Section 13(a) of the

Securities and Exchange Act of 1934 and the rules thereunder.

In October 1996, the Company also received a request for the voluntary production of information to the Enforcement Division of the Commission related to the resignation of Coopers & Lybrand LLP and the termination of Arthur Andersen LLP and the appointment of Jones, Jensen & Company as the Company's independent public accountants and the reasons therefore. In addition, the Company was requested to provide certain information respecting its previous sales of securities. The Company cooperated in providing information in response to these inquiries in early 1997. The Company has not been advised of the outcome of the foregoing, and has had no further contact by the Enforcement Division of the Commission.

NOTE 4 - EQUITY

From the date of the Merger through June 30, 2003, the Company has not paid compensation to certain officers and directors. Accordingly, the Company has capitalized the estimated fair value of these services. The uncompensated contributed services totaled $200,000 for each of the six month periods ended June 30, 2002 and 2003. We estimated the value of the contributed services based upon our estimate of their fair market value. This contribution of services was recorded as an increase to compensation expense and increase in additional paid in capital.

During the six months ended June 30, 2003, the Company issued 61,600 shares of common stock for cash totaling $92,400 in connection with the exercise of stock options and issued 114,598 shares of common stock in exchange for cashless exercise of warrants.

In May 2003, the Company sold in a private offering 155,750 shares of Series B Convertible Preferred Stock, par value $0.001 per share, at an offering price of $28 per share. Each share of Series B preferred stock is convertible into 8 shares of common stock at any time after issuance and accrues dividends at 6% per annum payable in cash or additional shares of Series B Preferred Stock. After deducting the costs and expenses associated with the sale, the Company received cash totaling $3,919,078. In conjunction with the private offering, the Company issued to the placement agent warrants to purchase 124,600 shares of common stock with an exercise price of $3.50 per share. The warrants are exercisable immediately after grant and expire five years thereafter. The fair value of the warrants granted to the placement agent, based on the Black-Scholes valuation model is estimated to be $2.77 per warrant. The value of the warrants granted has been offset from the proceeds received from the sale of the Series B Preferred Stock and recorded as additional paid in capital.

The price of the preferred stock sold was $28 per share. The market value of the Company's common stock sold on the dates that the preferred stock was sold had a range of $4.40 - $4.54 per common share. In accordance with EITF 00-27 this created a beneficial conversion to the holders of the preferred stock and a deemed dividend to the preferred stockholders totaling $1,244,880 was recorded by the Company with a corresponding amount recorded as additional paid-in capital. The deemed dividend associated with the beneficial conversion is calculated as the difference between the fair value of the underlying common stock less the proceeds that have been received for the Series B Preferred Stock limited to the value of the proceeds received.

In April 2003, the Company issued 150,000 warrants to purchase its common stock with an exercise price of $3.50 per share in conjunction with a distribution agreement. The warrants vest over a three year period, subject to certain acceleration clauses. The Company recognized consulting expenses totaling $22,391 during the three months ended June 30, 2002 based on the fair value of the warrants granted on the grant date.

In May 2003, the Company issued 150,000 options to purchase its common stock with an exercise price of $3.50 per share under the 2001 Stock Option Plan ("Stock Option Plan"). The options vest over a three year period from the date of grant. The Company recognized compensation expense totaling $8,750 during the three months ended June 30, 2002 based on the options intrinsic value on the grant date. Had compensation costs for all options issued under the Stock Option Plan been determined based on the fair value at the grant date consistent with the provisions of SFAS No. 123, net income and net income per share would have decreased to the pro forma amounts indicated below:

	Three Months Ended June 30,		Six Months Ended	
	2003	2002	2003	
Net loss - as reported	$ (2,441,275)	$ (1,280,923)	$ (4,630,376)	$
Less: total stock-based employee compensation expense determined under fair value based method for all awards granted to employees, net of related tax effect	(316,955)	(191,134)	(605,322)	
Net loss - pro forma	$ (2,758,680)	$ (1,472,057)	$ (5,235,698)	$
Net loss per share - as reported				
Basic and diluted	$ (0.16)	$ (0.08)	$ (0.30)	$
Net loss per share - pro forma				
Basic and diluted	$ (0.18)	$ (0.10)	$ (0.34)	$

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

FORWARD-LOOKING INFORMATION

This report contains certain "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, Section 21E of the Securities Exchange Act of 1934, as amended, and information relating to Isolagen that is based on management's exercise of business judgment as well as 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," and "intend" and words of similar 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. The discovery and development of applications for autologous cellular therapy are subject to substantial risks and uncertainties. There can be no assurance that Isolagen's trials relating to autologous cellular therapy applications for the treatment of dermal defects or gingival recession can be

conducted within the timeframe that Isolagen expects, that such trials will yield positive results, or that additional applications for the commercialization of autologous cellular therapy can be identified and advanced into human clinical trials. These and other factors, some of which are described below, could cause future results to differ materially from the expectations expressed in this report. 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 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 and other health-related markets;

- whether our clinical human trials relating to autologous cellular therapy applications for the treatment of dermal defects or gingival recession 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 provide and deliver any autologous cellular therapies that we may develop, on a basis is that is cost competitive with other therapies, drugs and treatments that may be provided by our competitors;

- our ability to finance our business;

- our ability to maintain our current pricing model;

- our ability to decrease our cost of goods sold;

- a stable interest rate market in the world, and specifically the countries we are doing business in or plan to do business in;

- management's best estimate on the patient data including patients started and patients completed;

- a stable currency rate environment in the world, and specifically the countries we are doing business in or plan to do business in;

- our ability to receive requisite regulatory approvals in the United States, European Community, Australia, South Korea, Hong Kong, Mexico, and our ability to retain the licenses that we have obtained and may obtain; and the absence of adverse regulatory developments in the United States, European Community, Australia, South Korea, Hong Kong, Mexico or any other country we plan to do conduct commercial operations;

- continued availability of supplies at the current prices;

- no new entrance of competitive products in our markets;
- no adverse publicity related to our products or the Company itself;
- no adverse claims relating to our Intellectual Property;
- the adoption of new, or changes in, accounting principles; and/or legal proceedings;
- our ability to maintain compliance with the AMEX requirements for continued listing of our common stock;
- the costs inherent with complying with new statutes and regulations applicable to public reporting companies, such as the Sarbanes-Oxley Act of 2002;
- our ability to efficiently integrate future acquisitions, if any;
- other new lines of business that the Company may enter in the future; and
- other risks referenced from time to time elsewhere in this report 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.

GENERAL

Isolagen is a Houston, Texas based emerging pharmaceutical bioscience company which has focused its efforts in the development and commercialization of autologous cellular technology that has specific applications in cosmetic dermatology and is exploring applications for periodontal disease, reconstructive dentistry and other health-related markets. Autologous cellular therapy is a process whereby a patient's own cells are extracted, reproduced and then reintroduced to the patient for specific cosmetic and medical applications. Unlike other applications for the treatment of dermal defects, Isolagen utilizes only the patient's unique, living cells to produce the patient's own collagen. There is no foreign substance utilized in this treatment protocol. Isolagen's goal is to become the industry leader in the research, development and commercialization of autologous cellular therapy which stimulate a patient's own collagen production.

CRITICAL ACCOUNTING POLICIES

The following discussion and analysis of financial condition and results of operations are based upon the Company's consolidated financial statements, which have been prepared in conformity with accounting principles generally accepted in the United States. The preparation of these financial statements requires management to make

estimates and judgments that affect the reported amounts of assets, liabilities, revenues, expenses and related disclosures. On an on-going basis, the Company evaluates its estimates and assumptions, including but not limited to those related to the impairment of long-lived assets, reserves for doubtful accounts, revenue recognition and certain accrued liabilities. The Company bases its estimates on historical experience and various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Revenue Recognition: The Company recognizes revenue from product sales when goods are shipped and the risk of loss transfers to the customer. Revenue from licenses and other upfront fees are recognized on a ratable basis over the term of the respective agreement. Milestone payments are recognized upon successful completion of a performance milestone event. Any amounts received in advance of performance are recorded as deferred revenue. The Company recognizes revenue over the period the service is performed in accordance with SEC Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements" ("SAB 101"). SAB 101 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) collectibility is reasonably assured. We believe that all of these conditions are met at the time of shipment. Currently, three injections are recommended, although the decision to utilize one, two or three injections is between the attending physician and his/her patient. The amount invoiced is fixed and determinable and only varies among customers depending upon the number of injections requested. There is no performance provision under any arrangement with any doctor and there is no right to refund, or returns for unused injections.

Currently the Isolagen Process is delivered through an attending physician to each patient in the Company's recommended regimen of up to three injections. Each injection has stand alone value to the patient. The Company invoices the attending physician upon that physician submitting his/her patient's tissue sample to the Company; thus the contractual arrangement is between the Company and the medical professional. The amount invoiced varies directly with the number of injections requested. All orders are paid in advance by the physician and are not refundable. Revenue is deferred until shipment, provided no significant obligations remain, and is recognized in installments corresponding to the number of injections shipped to the attending physician. Due to the short shelf life, each injection is cultured on an as needed basis and shipped prior to the individual injection being administered by the physician. The amount of the revenue deferral represents the fair value of the remaining undelivered injections defined in accordance with Emerging Issues Task Force ("EITF") 00-21, which addresses the issue of accounting for arrangements that involve the delivery of multiple products or services. Should the physician discontinue the regimen prematurely all remaining deferred revenue is recognized.

Research and development expenses: Research and development expenses include direct costs, research-related overhead, and costs associated with improved process science, manufacturing and cost reduction are charged to operations as incurred.

Stock-based compensation: The Company accounts for its stock-based compensation under the provisions of SFAS No. 123 - "Accounting for Stock Based Compensation." Under SFAS No. 123, the Company is permitted to either record expenses for stock options and other employee compensation plans based on their fair value at the date of grant or to continue to apply its current accounting

policy under Accounting Principles Board Opinion No. 25 "Accounting for Stock Issued to Employees," ("APB NO. 25"), and recognize compensation expense, if any, based on the intrinsic value of the equity instrument at the measurement date. The Company elected to continue following the provisions of APB No. 25.

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation-Transition and Disclosure." This statement provides guidance for those companies wishing to voluntarily change to the fair value based method of accounting for stock-based compensation. The statement also amends the disclosure requirements of SFAS No. 123, requiring prominent disclosure in annual and interim financial statements regarding a company's method for accounting for stock-based employee compensation and the effect of the method on reported results. While Isolagen continues to utilize the disclosure-only provisions of SFAS No. 123, it has modified its disclosures to comply with the new statement.

RESULTS OF OPERATIONS, AS RESTATED

Comparison of the six months ending June 30, 2003 and 2002

REVENUES. Revenues increased $37,278, to $79,796 for the six months ended June 30, 2003 compared to $42,518 for the six months ended June 30, 2002. The increase in revenues is primarily attributable to the commencement of operations in the United Kingdom. Included in the six months ended June 30, 2002 was $40,000 in license fees recognized which did not recur in the six months ended June 30, 2003.

The Isolagen Process involves a patient's doctor obtaining an approximately 3 mm punch skin sample from the patient. The skin sample is packed in a container provided by the Company and shipped overnight to the Company's laboratory. The specimen is then cultured utilizing the Company's patented Isolagen Process. This process separates the cell, called a fibroblast, from the rest of the tissue then multiplies these fibroblasts. Approximately six (6) weeks later, approximately 1 ml of the patient's cells is also sent to the doctor for treatment. Additional amounts of approximately 1 ml are available for re-injection every two (2) to three (3) weeks. The Company recognizes one-third of the revenue associated with each treatment upon the shipment of the first injection to the patient's doctor, an additional one-third of revenue associated with each treatment is recognized upon shipment of the second injection to the patient's doctor, and the remaining one-third is recognized upon the shipment of the last injection to the patient's doctor.

In addition, those revenues which the Company did recognize during the first six months of 2003 from its United Kingdom operations were in part reduced by promotional incentives provided by the Company to doctors utilizing the Isolagen Process. The Company expects to continue providing such promotional incentives to doctor's during the introduction phase of the Isolagen Process in the United Kingdom.

COST OF SALES. Costs of sales increased to $48,861 for the six months ended June 30, 2003 compared to $0 for the six months ended June 30, 2002. The increase in cost of sales is primarily related to the commencement of operations in the United Kingdom.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Selling, general and administrative expenses increased 139%, or $2,048,947, to $3,523,056 for the six months ended June 30, 2003 compared to $1,474,109 for the six months ended June

30, 2002. The major components of the approximately $2.0 million increase in selling, general and administrative expense are as follows: a) consulting expense increased by approximately $0.1 million to $0.6 million for the six months ended June 30, 2003 compared to $0.5 million for the six months ended June 30, 2002; b) salaries increased by approximately $0.3 million to $0.5 million for the six months ended June 30, 2003 compared to $0.2 million for the six months ended June 30, 2002 (these amounts include an imputed expense of $200,000 in each period relating to the fair market value of services provided by certain officers for which they will not be compensated); c) travel expense increased by approximately $0.3 million to $0.4 million for the six months ended June 30, 2003 compared to $0.1 million for the six months ended June 30, 2002; d) legal expense increased by approximately $0.1 million to $0.3 million for the six months ended June 30, 2003 compared to $0.2 million for the six months ended June 30, 2002; e) promotional expense increased by approximately $0.2 million to $0.3 million for the six months ended June 30, 2003 compared to $0.1 million for the six months ended June 30, 2002; and f) depreciation and amortization increased by approximately $0.4 million to $0.4 million for the six months ended June 30, 2003 compared to $0.0 million for the six months ended June 30, 2002. The increase in selling, general and administrative expenses is attributed primarily to: a) higher salaries expense due to an increase in the number of employees; b) increased travel expenses related to our expansion into the United Kingdom and Australia; c) higher legal fees related to patent and business development issues; d) increased marketing and promotion efforts related to the commencement of operations in the United Kingdom; and e) depreciation and amortization of assets placed into service during 2003 with the commencement of operations in the United Kingdom and the completion of the U.S laboratory.

RESEARCH AND DEVELOPMENT. Research and development expenses increased by approximately $0.6 million during the six months ended June 30, 2003 to $1.2 million as compared to $0.6 million for the same period of 2002. Research and development costs are composed primarily of costs related to the Company's efforts to gain FDA approval for the Isolagen Process in the United States. These costs include those personnel and laboratory costs related to the current FDA trials and certain consulting costs. This project is still under

development. The total cost of research and development as of June 30, 2003 is $5.0 million. As of June 30, 2003, we believe at a minimum it will cost $3 million to complete this project. That estimate assumes that no further testing requirements are imposed by the FDA, that FDA approval is forthcoming and that FDA approval is received during 2005. 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 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 vagaries of the FDA approval process we are unable to predict what the cost of obtaining approval will be if FDA approval is not forthcoming in 2005. The Company has other research projects currently underway, including those related to repairing damaged nerves and therapies to regrow hair and to heal burned skin. However, research and development costs related to these projects were not material during the 2003 or 2002 periods. The major components of the approximately $0.6 million increase in research and development expense are as follows: a) salaries increased by approximately $0.4 million to $0.7 million for the six months ended June 30, 2003 compared to $0.3 million for the six months ended June 30, 2002; and b) laboratory expense increased by approximately $0.1 million to $0.2 million for the six months ended June 30, 2003 compared to $0.1 million for the six months ended June 30, 2002.

INTEREST INCOME. Interest income decreased 44%, or $8,443, to $10,620 for the six months ended June 30, 2003 compared to $19,063 for the six months ended June 30, 2002. The decrease in interest income resulted from, among other things, a decrease in the amount of cash on hand by the Company, and a decrease in interest rates paid on the Company's deposits.

OTHER INCOME. Other income of $55,663 for the six months ended June 30, 2003 represents gains realized on the sale of certain interest bearing securities denominated in Australian dollars and British pounds held to mitigate a portion of the foreign currency exposure related to the Company's international activity. As of June 30, 2003, the Company holds no such securities.

NET LOSS. Net loss for the six months ended June 30, 2003 was $4,630,376, as compared to a net loss of $2,027,461 for the six months ended June 30, 2002. This increase in net loss is attributed primarily to salaries, travel, consulting, legal, and promotional expenses. Net loss attributable to common stockholders for the six months ended June 30, 2003 was $6,286,445, as compared to a net loss of $11,716,419 for the six months ended June 30, 2002. These amounts include $1.2 million and $9.6 million of deemed dividend associated with beneficial conversion of preferred stock for the six months ended June 30, 2003 and June 30, 2002, respectively. These amounts include $0.4 million and $0.1 million of preferred stock dividends for the six months ended June 30, 2003 and June 30, 2002, respectively.

Comparison of the three months ending June 30, 2003 and 2002

REVENUES. Revenues increased $59,425, to $79,425 for the three months ended June 30, 2003 compared to $20,000 for the three months ended June 30, 2002. The increase in revenues is primarily attributable to the commencement of operations in the United Kingdom. Included in the three months ended June 30, 2002 was $20,000 in license fees recognized which did not recur in the three months ended June 30, 2003.

Those revenues which the Company did recognize during the three months ended June 30, 2003 from its United Kingdom operations were in part reduced by promotional incentives provided by the Company to doctors utilizing the Isolagen Process. The Company expects to continue providing such promotional incentives to doctor's during the introduction phase of the Isolagen Process in the United Kingdom.

COST OF SALES. Costs of sales increased to $47,867 for the three months ended June 30, 2003 compared to $0 for the three months ended June 30, 2002. The increase in cost of sales is primarily related to the commencement of operations in the United Kingdom.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Selling, general and administrative expenses increased 101%, or $936,969, to $1,862,566 for the three months ended June 30, 2003 compared to $925,597 for the three months ended June 30, 2002. The major components of the approximately $1.0 million increase in selling, general and administrative expense are as follows: a) consulting expense decreased by approximately $0.1 million to $0.3 million for the three months ended June 30, 2003 compared to $0.4 million for

the three months ended June 30, 2002; b) salaries increased by approximately $0.2 million to $0.3 million for the three months ended June 30, 2003 compared to $0.1 million for the three months ended June 30, 2002 (these amounts include

an imputed expense of $100,000 in each period relating to the fair market value of services provided by certain officers for which they will not be compensated); c) travel expense increased by approximately $0.1 million to $0.2 million for the three months ended June 30, 2003 compared to $0.1 million for the three months ended June 30, 2002; d) legal expense increased by approximately $0.1 million to $0.2 million for the three months ended June 30, 2003 compared to $0.1 million for the three months ended June 30, 2002; e) promotional expense increased by approximately $0.1 million to $0.1 million for the three months ended June 30, 2003 compared to $0.0 million for the three months ended June 30, 2002; and f) depreciation and amortization increased by approximately $0.2 million to $0.2 million for the three months ended June 30, 2003 compared to $0.0 million for the three months ended June 30, 2002. The increase in selling, general and administrative expenses is attributed primarily to: a) higher salaries expense due to an increase in the number of employees; b) increased travel expenses related to our expansion into the United Kingdom and Australia; c) higher legal fees related to patent and business development issues; d) increased marketing and promotion efforts related to the commencement of operations in the United Kingdom; and e) depreciation and amortization of assets placed into service during 2003 with the commencement of operations in the United Kingdom and the completion of the U.S laboratory.

RESEARCH AND DEVELOPMENT. Research and development expenses increased by approximately $0.2 million during the three months ended June 30, 2003 to $0.6 million as compared to $0.4 million for the same period of 2002. Research and development costs are composed primarily of costs related to the Company's efforts to gain FDA approval for the Isolagen Process in the United States. These costs include those personnel and laboratory costs related to the current FDA trials and certain consulting costs. This project is still under development. The total cost of research and development as of June 30, 2003 is $5.0 million. As of June 30, 2003, we believe at a minimum it will cost $3 million to complete this project. That estimate assumes that no further testing requirements are imposed by the FDA, that FDA approval is forthcoming and that FDA approval is received during 2005. 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 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 vagaries of the FDA approval process we are unable to predict what the cost of obtaining approval will be if FDA approval is not forthcoming in 2005. The Company has other research projects currently underway, including those related to repairing damaged nerves and therapies to regrow hair and to heal burned skin. However, research and development costs related to these projects were not material during the 2003 or 2002 periods. The major components of the approximately $0.2 million increase in research and development expense are as follows: a) salaries increased by approximately $0.1 million to $0.4 million for the three months ended June 30, 2003 compared to $0.3 million for the three months ended June 30, 2002; and b) laboratory expense increased by approximately $0.1 million to $0.1 million for the three months ended June 30, 2003 compared to $0.0 million for the three months ended June 30, 2002.

INTEREST INCOME. Interest income decreased 78%, or $11,335, to $3,190 for the three months ended June 30, 2003 compared to $14,525 for the three months ended June 30, 2002. The decrease in interest income may be attributed to, among other things, a decrease in the amount of cash on hand by the Company, and a decrease in interest rates paid on the Company's deposits.

OTHER INCOME. Other income of $32,421 for the three months ended June 30, 2002 represents gains realized on the sale of certain interest bearing securities denominated in Australian dollars and British pounds held to mitigate a portion of the foreign currency exposure related to the Company's international activity. As of June 30, 2003, the Company holds no such

securities.

NET LOSS. Net loss for the three months ended June 30, 2003 was $2,441,275, as compared to a net loss of $1,280,923 for the three months ended June 30, 2002. This increase in net loss is attributed primarily to salaries, travel, consulting, legal, and promotional expenses. Net loss attributable to common stockholders for the three months ended June 30, 2003 was $3,887,605, as compared to a net loss of $10,869,481 for the three months ended June 30, 2002. These amounts include $1.2 million and $9.6 million of deemed dividend associated with beneficial conversion of preferred stock for the three months ended June 30, 2003 and June 30, 2002, respectively. These amounts include $0.2 million and $0.1 million of preferred stock dividends for the three months ended June 30, 2003 and June 30, 2002, respectively.

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LIQUIDITY AND CAPITAL RESOURCES, AS RESTATED

Operating Activities

Cash used in operating activities during the six months ended June 30, 2003, amounted to $3,951,085, as compared to the $1,636,244 of cash used in operating activities during the six months ended June 30, 2002. The increase is attributed primarily to salaries, travel, consulting, legal, and promotional expenses.

Investing Activities

Cash used by investing activities during the six months ended June 30, 2003, amounted to $1,045,170 as compared to cash used by investing activities of $86,327 during the six months ended June 30, 2002. This increase in cash used is due to the purchase of property and equipment for the Houston, Texas, London, England, and Sydney, Australia laboratories.

Financing Activities

Cash provided by financing activities during the six months ended June 30, 2003, amounted to $4,011,478 consisting of $3,919,078 raised from the issuance of preferred stock and $92,400 raised from the issuance of common stock as compared to cash provided by financing activities of $8,778,762 during the six months ended June 30, 2002 which consisted entirely of proceeds from the issuance of preferred stock. In May 2003, the Company sold in a private offering 155,750 shares of Series B Convertible Preferred Stock, par value $0.001 per share, at an offering price of $28 per share. Each share of Series B preferred stock was convertible into 8 shares of common stock at any time after issuance and accrues dividends at 6% per annum payable in cash or additional shares of Series B Preferred Stock. After deducting the costs and expenses associated with the sale, the Company received cash totaling $3,919,078. In conjunction with the private offering, the Company issued to the placement agent warrants to purchase 124,600 shares of common stock with an exercise price of $3.50 per share. The warrants are exercisable immediately after grant and expire five years thereafter. The fair value of the warrants granted to the placement agent, based on the Black-Scholes valuation model is estimated to be $2.77 per warrant. The value of the warrants granted has been offset from the proceeds received from the sale of the Series B Preferred Stock and recorded as additional paid in capital.

The price of the Series B Preferred Stock sold was $28 per share. The market value of the Company's common stock sold on the dates that the preferred

stock was sold had a range of $4.40 - $4.54 per common share. In accordance with EITF 00-27 this created a beneficial conversion to the holders of the preferred stock and a deemed dividend to the preferred stockholders totaling $1,244,880 was recorded by the Company with a corresponding amount recorded as additional paid-in capital. The deemed dividend associated with the beneficial conversion is calculated as the difference between the fair value of the underlying common stock less the proceeds that have been received for the Series B Preferred Stock limited to the value of the proceeds received.

Working Capital

As of June 30, 2003, the Company had a cash balance of $3,292,242. As of August 7, 2003, the Company had a cash balance of approximately $2.2 million. The Company does not have any credit facilities with which to fund ongoing working capital needs. The long-term viability of the Company is dependent upon successful operation of its business and the ability to raise additional debt and equity within the near future.

Inflation did not have a significant impact on the Company's results during the six months ended June 30, 2003.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our market risk as it relates to foreign currency transactions is described in Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

ITEM 4. CONTROLS AND PROCEDURES

In accordance with Rule 13a-15(b) promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), the Chief Executive Officer and Chief Financial Officer of the Company (the "Certifying Officers") have conducted evaluations of the Company's disclosure controls and procedures. As defined under Sections 13a-15(e) and 15d-15(e) of the Exchange Act, the term "disclosure controls and procedures" means controls and other procedures of an issuer that are designed to ensure that information required to be disclosed by the issuer in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Exchange Act is accumulated and communicated to the issuer's management, including its principal executive officer or officers and principal financial officer or officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. The Certifying Officers have reviewed the Company's disclosure controls and procedures and have concluded that those disclosure controls and procedures were effective as of the end of the Company's most recent fiscal quarter.

During the Company's most recent fiscal quarter, there were no changes in the Company's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

In May 2003, the Company sold 155,750 shares of Series B Convertible Preferred Stock at $28.00 per share for a gross amount of approximately $4.4 million in a private placement to a total of 81 accredited investors pursuant to the exemption from registration under the Securities Act of 1933 provided by Rule 506 of Regulation D. The Company complied with the applicable requirements of Regulation D and filed appropriates Forms D. Each share of Series B Convertible Preferred Stock is convertible into eight shares of the Company's common stock, at any time at the option of the holder of such shares. The Series B Convertible Preferred Stock accrues dividends at 6% per annum payable in cash or additional shares of Series B Convertible Preferred Stock. Fordham Financial Management, Inc. acted as the Company's placement agent in connection with the offer and sale of the Series B Convertible Preferred Stock. After deducting the aggregate costs and expenses associated with the offer and sale of the shares of the Series B Convertible Preferred Stock, the Company actually received approximately $3.9 million. The Company also issued to Fordham Financial Management, Inc. a warrant to purchase 124,600 shares of the Company's common stock for a purchase price of $3.50 per share (subject to adjustment from time to time in accordance with the terms of the warrant).

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

The annual meeting of the Company's stockholders was held on June 18, 2003. At that meeting, four proposals were submitted to a vote of the Company's stockholders: (1) To approve the adoption of the Isolagen, Inc. 2003 Stock Option and Appreciation Rights Plan; (2) To ratify the appointment of Pannell Kerr Forster of Texas, P.C. as the Company's auditors for the year ending December 31, 2003; (3) To amend the Company's Certificate of Incorporation to provide for the classification of the Board of Directors into three classes of directors with staggered terms of office; and (4) To elect seven directors to hold office until his or her successor is duly elected and qualified.

At the close of business on the record date for the meeting (which was May 1, 2003), there were 15,310,181 shares of Common Stock outstanding and entitled to be voted at the meeting and 3,038,506 shares of Series A Convertible Preferred Stock entitled to be voted at the meeting. Each share of Common Stock is entitled to one vote per share, and each share of Series A Convertible Preferred Stock is entitled to two votes per share.

Holders of 16,225,113 shares of voting stock (representing a like number of votes) were present at the meeting, either in person or by proxy. The following table sets forth the results of the voting:

	FOR	AGAINST
1. To approve the adoption of the Isolagen, Inc. 2003 Stock Option and Appreciation Rights Plan	16,011,804	145,813
2. To ratify the appointment of Pannell Kerr Forster of Texas, P.C. as the Company's auditors for the year ending December 31, 2003	16,219,128	1,157
3. To amend the Company's Certificate of Incorporation to provide for the classification of the Board of Directors into three classes	16,173,054	35,219

of directors with staggered terms of office

	FOR	WITHHELD
4. To elect seven directors to hold office until his or her successor is duly elected and qualified:		
Class I Directors:		
William K. Boss, Jr.	16,225,113	775
Steven Morrell	16,225,113	775
Class II Directors:		
Ashley Smith	16,225,113	775
Ralph DeMartino	16,225,113	775
Class III Directors:		
Michael Macaluso	16,225,113	775
Michael Avignon	16,225,113	775
Frank DeLape	16,225,113	775

With respect to Proposal 1, 2 & 3, these proposals were duly and validly approved by the stockholders. With respect to Proposal 4, each nominee received the favorable votes and each such nominee was duly and validly elected by the stockholders.

ITEM 6. EXHIBITS AND REPORTS

(a) EXHIBITS

EXHIBIT NO.	IDENTIFICATION OF EXHIBIT
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer 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.

ISOLAGEN, INC.

Date: November 17, 2003

By: /s/ Jeffrey W. Tomz

Jeffrey W. Tomz, CFO and Secretary
(Principal Executive and
Financial Officer)

EXHIBIT INDEX

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32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.