ISOLAGEN INC
Form 10QSB
November 13, 2002

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

FORM 10 - QSB

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

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2002

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)

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

As of November 12, 2002, issuer had 15,189,563 shares of issued and outstanding common stock, par value $0.001.

Documents Incorporated by Reference: NONE

Transitional Small Business Issuer Format: Yes [X] No [ ]

Part I. Financial Information

Item 1. Financial Statements

The Consolidated Financial Statements of the Company required to be filed with this 10-QSB Quarterly Report were prepared by management and commence on the following page, together with related Notes. In the opinion of management, the Consolidated Financial Statements fairly present the financial condition of the Company.

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

	September 30, 2002	December 31, 2001
		(unaudited)
ASSETS		
Current assets		
Cash and cash equivalents	$ 7,300,603	$ 1,380,824
Accounts receivable	92,363	1,067
Inventory	69,154	--
Total current assets	7,462,120	1,381,891
Property and equipment, net	769,476	7,357

Other assets	140,565	174,666
Total assets	$ 8,372,161	$ 1,563,914
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable	$ 1,482,022	$ 208,196
Accrued expenses	345,083	23,318
Deferred revenue	11,711	280,000
Total current liabilities	1,838,816	511,514
Total liabilities	1,838,816	511,514
Commitments and contingencies		
Shareholders' equity		
Preferred stock, $.001 par value; 5,000,000 shares authorized; 2,895,000 issued and outstanding	2,895	--
Common stock, $.001 par value; 50,000,000 shares authorized; 15,189,563 issued and outstanding	15,190	15,190
Additional paid-in capital	14,176,033	5,166,205
Other comprehensive loss	(39,651)	--
Accumulated deficit during development stage	(7,621,122)	(4,128,995)
Total shareholders' equity	6,533,345	1,052,400
Total liabilities and shareholders' equity	$ 8,372,161	$ 1,563,914

The accompanying notes are an integral part of these statements. 3

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

	Nine Months Ended September 30,		Cumulativ Period fro December 2 1995 (date inception) September
	2002	2001	2002
Revenues			
Sales	$ 2,518	$ 9,905	$ 1,392,6
License fees	40,000	60,000	260,0
Total revenues	42,518	69,905	1,652,6
Cost of sales	--	4,918	402,4
Gross profit	42,518	64,987	1,250,1
Selling, general and administrative expenses	3,319,712	1,105,454	8,364,9
Operating loss	(3,277,194)	(1,040,467)	(7,114,7

Other income (expense)			
Interest income	83,025	6,102	111,4
Loss on disposal of asset	--	--	(8,2
Interest expense	--	(82,015)	(311,6
Net loss	$ (3,194,169)	$(1,116,380)	$(7,323,1
Per share information			
Net loss per common share - basic and diluted	$ (0.21)	$ (0.22)	$ (1.
Weighted average number of basic and diluted common shares outstanding	15,189,563	5,074,369	4,785,6

The accompanying notes are an integral part of these statements. 4

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

	Three Months Ended September 30,	
	2002	2001
Revenues		
Sales	$ --	$ 2,162
License fees	--	20,000
Total revenues	--	22,162
Cost of sales	--	588
Gross profit	--	21,574
Selling, general and administrative expenses	1,398,249	831,372
Operating loss	(1,398,249)	(809,798)
Other income (expense)		
Interest income	31,541	6,094
Unrealized gain on foreign currency deposits	--	--
Interest expense	--	(13,106)
Net loss	$ (1,366,708)	$ (816,810)
Per share information		
Net loss per common share - basic and diluted	$ (0.09)	$ (0.08)
Weighted average number of basic and diluted common shares outstanding	15,189,563	9,668,451

The accompanying notes are an integral part of these statements. 5

Isolagen, Inc.

(A Development Stage Company)
Consolidated Statements of Cash Flows
(unaudited)

	Nine Months Ended September 30,		Cumula Period Decembe 1995 (d incepti Septemb
	2002	2001	20
Cash flows from operating activities			
Net loss	$(3,194,169)	$(1,116,380)	$ (7,3
Adjustments to reconcile net loss to net cash used in operating activities:			
Common stock issued for services	54,316	744,736	1,1
Depreciation	22,403	12,206	
Loss on sale of property and equipment	--	9,073	
Change in operating assets and liabilities:			
(Increase) decrease in accounts receivable	(91,296)	2,119	(
Increase in inventory	(69,154)	--	(
Increase in other assets	(20,215)	25,420	(
Increase in accounts payable	1,273,826	99,297	1,4
Increase in accrued expenses	23,807	16,254	
Increase (decrease) in deferred revenue	(268,289)	(60,000)	
Net cash used in operating activities	(2,268,771)	(267,275)	(4,7
Cash flows from investing activities			
Purchase of property and equipment	(784,522)	--	(8
Proceeds from the sale of property and equipment	--	1,000	
Net cash used in investing activities	(784,522)	1,000	(8
Cash flows from financing activities			
Proceeds from the issuance of preferred stock	9,012,723	--	9,0
Proceeds from convertible debt	--	--	1,4
Proceeds from notes payable to shareholders	--	30,000	1
Proceeds from the issuance of common stock	--	2,060,000	2,4
Merger and acquisition expenses	--	(48,547)	(
Repurchase of common stock	--	--	(
Net cash provided by financing activities	9,012,723	2,041,453	12,9
Effect of exchange rate changes on cash balances	(39,651)	--	(
Net increase (decrease) in cash and cash equivalents	5,919,779	1,775,178	7,3
Cash and cash equivalents, beginning of period	1,380,824	2,574	
Cash and cash equivalents, end of period	$ 7,300,603	$ 1,777,752	$ 7,3
Supplemental cash flow information:			
Cash paid for interest	$ --	$ 1,020	$ 1

The accompanying notes are an integral part of these statements. 6

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

NOTE 1 - BASIS OF PRESENTATION, BUSINESS AND ORGANIZATION

Isolagen, Inc., a Delaware corporation ("Isolagen" or the "Company"), is the parent company of Isolagen Technologies, Inc. ("Isolagen Technologies"), a Delaware corporation and wholly-owned subsidiary of the Company. 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 quoted on the Over-the-Counter Bulletin Board under the ticker symbol "ISLG.OB"

Isolagen was organized to specialize in the development and commercialization of autologous cellular therapy ("ACT") for hard and soft tissue regeneration and other therapies. Isolagen currently holds five patents. Representing breakthrough technology in the overall approach to cosmetic and medical therapy, ACT is a process whereby a patient's own cells are extracted, reproduced through Isolagen's proprietary process, and then reintroduced back into the patient for specific cosmetic and medical applications. Unlike collagen development companies, Isolagen uses only the patient's unique living cells for the source of its therapeutic effect. Isolagen's goal is to become the industry leader in the research, development and commercialization of autologous cellular therapy.

In 1997, the U.S. Food and Drug Administration ("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 ACT and the Isolagen Process. From 1995 to 1999, management of Isolagen Technologies believed that FDA approvals were not required for use of the Isolagen Process, based on advice from FDA consultants. In 1999, the FDA advised Isolagen Technologies that use of the Isolagen Process would require FDA approval, and Isolagen Technologies filed an investigational new drug application ("IND") covering the Isolagen Process with the FDA. An IND is 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. After its review of Isolagen Technologies' IND on December 9, 1999 the FDA placed the IND on clinical hold until the Company's manufacturing processes and procedures were changed to meet these new standards, and FDA approval is obtained. The use of the Isolagen Process was discontinued after the FDA placed the IND on hold, and Isolagen Technologies did not have sufficient funding to pursue regulatory approvals.

In the second quarter of 2002, the FDA removed the clinical hold. The Company is pursuing the FDA approval process in collaboration with FDA consulting firms. Present interpretation of the published regulations places the Isolagen process under the Center for Biological Evaluation and Research ("CBER"). The regulations define manipulation of autologous cell therapies at various levels. The present understanding is that the Isolagen process falls within the legislation for minimally regulated products. Isolagen has commenced a retrospective study of its extensive patient database to answer specific FDA related issues prior to submission of an amended IND.

Through September 30, 2002, the Company has been primarily engaged in developing its initial product technology, establishing manufacturing facilities,

recruiting personnel and raising capital. In the course of its development activities, the Company has sustained losses and expects such losses to continue through at least 2002. The Company will finance its operations primarily through its existing cash, future financing and revenues.

Acquisition and Merger

On August 10, 2001, the Company, pursuant to an Agreement and Plan of Merger, dated August 1, 2001, by and among the Company, ISO Acquisition Corp, a Delaware corporation and wholly-owned subsidiary of the Company ("Merger Sub"), Isolagen Technologies, a Delaware corporation, Gemini IX, Inc., a Delaware corporation ("Gemini"), and William J. Boss, Jr., Olga Marko and Dennis McGill, stockholders of Isolagen Technologies (the "Merger Agreement"), acquired in a privately negotiated transaction 100% of the issued and outstanding capital stock of Isolagen Technologies. Pursuant to the terms of the Merger Agreement, Merger Sub, together with Gemini, merged with and into Isolagen Technologies (the "Merger"), and Isolagen Technologies was the surviving corporation of the Merger. The Company issued an aggregate of 9,756,372 shares of restricted common stock, par value $0.001 per share, of the Company ("Common Stock") as consideration for the Merger, to retire certain debts of Isolagen Technologies and in connection with certain bridge loans of Isolagen Technologies.

Prior to the Merger, Isolagen Technologies had no active business and was seeking funding to begin U.S. FDA trials of this process.

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 the Company'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.

Basis of Presentation

The financial statements presented include the consolidated balance sheet of Isolagen, Inc. and its wholly-owned subsidiaries, Isolagen Technologies, Inc., Isolagen Europe Limited and Isolagen Australia Pty Limited, at September 30, 2002 and December 31, 2001. The consolidated statements of operations and cash flows for the nine-month and three-month periods ended September 30, 2002 include Isolagen, Inc. and its wholly-owned subsidiaries. The consolidated statements of operations and cash flows for the nine-month and three-month periods ended September 30, 2001 include Isolagen Technologies, Inc. and Isolagen, Inc. for the period of August 10, 2001 through September 30, 2001. All significant intercompany transactions have been eliminated.

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 10K-SB filed with the Securities and Exchange Commission on March 21, 2002.

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 materially adverse impact on the Company.

Inventory

Inventory is comprised of raw materials used in the Isolagen process and is valued at the lower of cost (first-in, first-out) or market.

Property and equipment

Property and equipment, consisting primarily of lab equipment, computer equipment, 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. The cost of repairs and maintenance is charged against income as incurred.

Earnings per share data

Basic earnings (loss) per share is calculated based on the weighted average common shares outstanding during the period. Diluted earnings per share 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 periods in which it incurred net losses as the effect of potentially dilutive shares from convertible preferred

stock is antidilutive.

Shares of Isolagen Technologies common stock outstanding prior to the Merger were deemed converted to its equivalent shares of the Company's common stock using a conversion factor as defined in the Merger Agreement.

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.

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. 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.

Foreign currency

All balance sheet accounts of foreign operations are translated into U.S. dollars at the year-end rate of exchange and statements of earnings items are translated at the weighted average exchange rates for the year. The resulting translation adjustments are made directly to a separate component of stockholders' equity. Gains and losses from foreign currency transactions, such as those resulting from the settlement of foreign receivables or payables, are included in the consolidated statements of earnings.

For the nine and three months ended September 30, 2002, the Company recorded a foreign currency translation loss of $39,651 and $40,128, respectively, resulting in a total comprehensive loss of $3,233,820 and $1,406,836, for the nine and three months ended September 30, 2002, respectively.

From time to time, the Company enters into forward exchange contracts in anticipation of future movements in certain foreign exchange rates. Realized and unrealized gains and losses on these contracts are included in net income.

NOTE 3 - SERIES A CONVERTIBLE PREFERRED STOCK

The Company entered into a placement agent agreement with an investment bank with respect to the sale of up to 2,295,000 shares of Series A Convertible Preferred Stock at an offering price of $3.50 per share. Each share of preferred stock is convertible into two shares of common stock at any time after issuance and accrues interest at 8% per annum. Subsequently, the agreement was amended to increase the maximum offering to 2,895,000 shares.

For each 15,000 shares of preferred stock sold, the placement agent received

warrants to purchase 6,000 shares of common stock with an exercise price of $1.93 per share. The warrants are exercisable immediately after grant and expire five years thereafter.

During the nine months ended September 30, 2002, the Company issued 2,895,000 shares of Series A Convertible Preferred Stock and warrants to purchase 1,158,000 shares of common stock to the placement agent. The Company received cash proceeds totaling $9,012,723, net of offering costs. The Company accrued dividends payable of $297,958 during the nine months ended September 30, 2002 relating to the Series A Convertible Preferred Stock.

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

The following discussions of Isolagen, Inc. results of operations and financial position should be read in conjunction with the financial statements and notes pertaining to them that appear elsewhere in this Form 10-QSB.

Forward-Looking Information

This report contains certain forward-looking statements and information relating to Isolagen, Inc. that are based on the beliefs of management as well as assumptions made by and information currently available to management. When used in the document, the words "anticipate," "believe," "estimate," "expect," "intend," and similar expressions, as they relate to the Company or its management, are intended to identify forward-looking statements. Such statements reflect the current view of the Company respecting future events and are subject to certain risks, uncertainties, and assumptions, including the risks and uncertainties noted. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described herein as anticipated, believed, estimated, expected, or intended.

SUMMARY REVIEW AND OUTLOOK

Isolagen, Inc., a Delaware corporation ("Isolagen" or the "Company"), is the parent company of Isolagen Technologies, Inc. ("Isolagen Technologies"), a Delaware corporation and wholly-owned subsidiary of the Company. 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 quoted on the Over-the-Counter Bulletin Board under the ticker symbol "ISLG.OB"

Isolagen was organized to specialize in the development and commercialization of autologous cellular therapy ("ACT") for hard and soft tissue regeneration and other therapies. Isolagen currently holds five patents. Representing breakthrough technology in the overall approach to cosmetic and medical therapy, ACT is a process whereby a patient's own cells are extracted, reproduced through Isolagen's proprietary process, and then reintroduced back into the patient for specific cosmetic and medical applications. Unlike collagen development companies, Isolagen uses only the patient's unique living cells for the source of its therapeutic effect. Isolagen's goal is to become the industry leader in the research, development and commercialization of autologous cellular therapy.

In 1997, the U.S. Food and Drug Administration ("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 ACT and the Isolagen Process. From 1995 to 1999, management of Isolagen Technologies believed that FDA approvals were not required for use of the Isolagen Process, based on advice from FDA consultants. In 1999, the FDA advised Isolagen Technologies that use of the Isolagen Process would require FDA approval, and Isolagen Technologies filed an investigational new drug application ("IND") covering the Isolagen Process with the FDA. An IND is 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. After its review of Isolagen Technologies' IND on December 9, 1999 the FDA placed the IND on clinical hold until the Company's manufacturing processes and procedures were changed to meet these new standards, and FDA approval is obtained. The use of the Isolagen Process was discontinued after the FDA placed the IND on hold, and Isolagen Technologies did not have sufficient funding to pursue regulatory approvals.

In the second quarter of 2002, the FDA removed the clinical hold. The Company is pursuing the FDA approval process in collaboration with FDA consulting firms. Present interpretation of the published

regulations places the Isolagen process under the Center for Biological Evaluation and Research ("CBER"). The regulations define manipulation of autologous cell therapies at various levels. The present understanding is that the Isolagen process falls within the legislation for minimally regulated products. Isolagen has commenced a retrospective study of its extensive patient database to answer specific FDA related issues prior to submission of an amended IND.

Through September 30, 2002, the Company has been primarily engaged in developing its initial product technology, establishing manufacturing facilities, recruiting personnel and raising capital. In the course of its development activities, the Company has sustained losses and expects such losses to continue through at least 2002. The Company will finance its operations primarily through its existing cash, future financing and revenues.

Acquisition and Merger

On August 10, 2001, the Company, pursuant to an Agreement and Plan of Merger, dated August 1, 2001, by and among the Company, ISO Acquisition Corp, a Delaware corporation and wholly-owned subsidiary of the Company ("Merger Sub"), Isolagen Technologies, a Delaware corporation, Gemini IX, Inc., a Delaware corporation ("Gemini"), and William J. Boss, Jr., Olga Marko and Dennis McGill, stockholders of Isolagen Technologies (the "Merger Agreement"), acquired in a privately negotiated transaction 100% of the issued and outstanding capital stock of Isolagen Technologies. Pursuant to the terms of the Merger Agreement, Merger Sub, together with Gemini, merged with and into Isolagen Technologies (the "Merger"), and Isolagen Technologies was the surviving corporation of the Merger. The Company issued an aggregate of 9,756,372 shares of restricted common stock, par value $0.001 per share, of the Company ("Common Stock") as consideration for the Merger, to retire certain debts of Isolagen Technologies and in connection with certain bridge loans of Isolagen Technologies.

Prior to the Merger, Isolagen Technologies had no active business and was seeking funding to begin U.S. FDA trials of this process.

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 will be

used to fund the Company'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.

With regards to the proposed activities described above, no assurances can be made that the Company will implement any of these potential actions, and if so, whether any of them will prove successful or the degree of that success.

RESULTS OF OPERATIONS

Comparison of three-month periods ending September 30, 2002 and September 30, 2001.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Selling, general and administrative expenses increased $566,877 for the three-month period ending September 30, 2002, as compared to the same period in the prior year. The increase is attributed primarily to salaries, travel, consulting, legal, promotional expenses and bonuses paid to key personnel.

INTEREST INCOME. Interest income increased $25,447 for the three months ended September 30, 2002 as compared to the same period last year primarily due to income earned on the proceeds from the issuance of preferred stock.

INTEREST EXPENSE. Interest expense decreased $13,106 for the three months ended September 30, 2002, as compared to the same period last year due primarily to the retirement of debt during the Merger.

NET LOSS. Net loss for the three months ended September 30, 2002, was $1,366,708, as compared to a net loss of $816,810 for the three months ended September 30, 2001. This increase in net loss is attributed primarily to an increase in salaries, travel, consulting, legal, promotional expenses and bonuses paid to key personnel.

Comparison of nine month periods ending September 30, 2002 and September 30, 2001.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Selling, general and administrative expenses increased $2,214,258 for the nine-month period ending September 30, 2002, as compared to the same period in the prior year. The increase is attributed primarily to salaries, travel, consulting, legal, promotional expenses and bonuses paid to key personnel.

INTEREST INCOME. Interest income increased $76,923 for the nine months ended September 30, 2002 as compared to the same period last year primarily due to income earned on the proceeds from the issuance of preferred stock.

INTEREST EXPENSE. Interest expense decreased $82,015 for the nine months ended September 30, 2002, as compared to the same period last year due primarily to the retirement of debt during the Merger.

NET LOSS. Net loss for the nine months ended September 30, 2002, was $3,194,169, as compared to a net loss of $1,116,380 for the nine months ended September 30, 2001. This increase in net loss is attributed primarily to an increase in salaries, travel, consulting, legal, promotional expenses and bonuses paid to key personnel.

Historical Cash Flows

OPERATING ACTIVITIES. Cash used in operating activities during the nine months ended September 30, 2002, amounted to $2,268,771 as compared to $267,275 used

for the nine month-period ending September 30, 2001 attributable primarily to an increase in salaries, travel, consulting, legal, promotional expenses, bonuses paid to key personnel, write-off of deferred revenue, and increase in accounts payable.

INVESTING ACTIVITIES. Cash used by investing activities during the nine months ended September 30, 2002, amounted to $784,522, due to the purchase of property and equipment for the Houston and London laboratory.

FINANCING ACTIVITIES. The Company has financed its operating and investing activities primarily from the proceeds of private placements of its common and preferred stock. During the nine months ended September 30, 2002, the Company received $9,012,723 from the issuance of preferred stock. During the nine months ended September 30, 2001, the Company received $2,060,000 from the issuance of common stock and $30,000 from the issuance of notes payable to shareholders.

Liquidity and Capital Resources

As of September 30, 2002, the Company had a cash balance of $7,300,603. The Company believes the existing working capital will be adequate to meet anticipated capital and liquidity requirements for the next nine months. 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.

ITEM 3. CONTROLS AND PROCEDURES

Our management, including our Chief Executive Officer and Chief Financial Officer, have conducted an evaluation of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-14(c) promulgated under the Securities and Exchange Act of 1934, as amended) as of a date (the "Evaluation Date") within 90 days prior to the filing date of this report. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded, that our disclosure controls and

procedures are effective for timely gathering, analyzing and disclosing the information we are required to disclose in our reports filed under the Securities Exchange Act of 1934, as amended. There have been no significant changes made in our internal controls or in other factors that could significantly affect our internal controls subsequent to the Evaluation Date.

PART II--OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The Company is not currently subject to any legal proceedings. The Company may from time to time become a party to various legal proceedings arising in the ordinary course of its business.

ITEM 2. CHANGES IN SECURITIES

During the three months ended September 30, 2002, the Company issued 75,108 shares of Series A Convertible Preferred Stock to investors and warrants to purchase 30,043 shares of common stock to a placement agent. The Company received cash proceeds totaling $233,962, net of offering costs.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

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

None.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits.

Exhibit Number	Document Description
99.1	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
99.2	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

(b) Reports on Form 8-K. None

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 12, 2002 By: /s/ Michael Macaluso
Michael Macaluso, CEO
(Principal Executive Officer)

Date: November 12, 2002 By: /s/ Jeffrey W. Tomz
Jeffrey W. Tomz, CFO and Secretary
(Principal Financial Officer)

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. 1350
(SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002)

I, Michael Macaluso, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of Isolagen, Inc.

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make

the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

November 12, 2002

By: /s/ Michael Macaluso
Chief Executive Officer
(Principal Executive Officer)

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CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. 1350
(SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002)

I, Jeffrey W. Tomz, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of Isolagen, Inc.;

2. Based on my knowledge, this quarterly report does not contain any untrue

statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

November 12, 2002

By:/s/ Jeffrey W. Tomz
Chief Financial Officer
(Principal Financial Officer)

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EXHIBIT INDEX

Exhibit Number	Document Description
99.1	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

99.2	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