ISOLAGEN INC
Form S-4
July 11, 2007

As filed with the Securities and Exchange Commission on July 11, 2007

(S-4) Registration No. 333- /(S-3 Registration No. 333-

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM S-4

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933
(with respect to the 3.50% Convertible Senior Notes due 2024 being offered in the exchange offer)

FORM S-3

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933
(with respect to the 3.50% Convertible Senior Notes due 2024 being offered for cash)

ISOLAGEN, INC.

(Exact name of registrant as specified in its charter)

Delaware	**2834**	**87-0458888**
(State or other jurisdiction of incorporation or organization)	(Primary Industrial Classification Code Number)	(I.R.S. Employer Identification No.)

405 Eagleview Boulevard
Exton, Pennsylvania 19341
(484) 713-6001

(Address, including zip code, and telephone number, including area code, of registrant s principal executive offices)

Nicholas L. Teti

Chairman of the Board and Chief Executive Officer

Isolagen, Inc.

405 Eagleview Boulevard

Exton, Pennsylvania 19341

(484) 713-6000

(Name, address, including zip code, and telephone number, including area code, of agent for service)

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Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this Registration Statement

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box. o

If the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. o

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act of 1933, as amended (Securities Act), please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment thereto that shall become effective upon filing with the Commission pursuant to Rule 462(c) under the Securities Act, check the following box. o

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	**Amount to be Registered(1)**	**Proposed Maximum Aggregate Offering Price**	**Amount of Registration Fee(2)**
3.5% Convertible Senior Notes due 2024	$ 90,000,000	$ 90,000,000	$ 2,763
3.5% Convertible Senior Notes due 2024(3)	$ 31,665,000	$ 31,665,000	$ 973
Common Stock, $0.001 par value per share(4)(5)	24,300,001	$ 10,225,095	$ 314
Total Registration Fee	$ 131,890,095	$ 131,890,095	$ 4,050

(1) Pursuant to Rule 457(f) under the Securities Act, this amount is the market value as of July 6, 2007 of the aggregate principal amount outstanding of 3.5% Convertible Subordinated Notes due 2024 that may be received by the Registrant from tendering holders in the exchange offer.

(2) The registration fee has been calculated pursuant to Rule 457(f) under the Securities Act.

(3) We are registering an additional amount of 3.50% Convertible Senior Notes due 2024 to be publicly offered for cash, and for the potential payment of fees to the dealer manager.

(4) The shares of common stock that are being registered include 2,481,819 shares that could be issued if the Registrant elects under the terms of the new notes to make payments of additional interest in common stock instead of cash. Also includes 21,818,182 shares of common stock issuable upon conversion of the new notes registered hereby, which shares are not subject to an additional fee pursuant to Rule 457(i) of the Securities Act. Pursuant to Rule 416 under the Securities Act, such number of shares of common stock registered hereby shall include an indeterminate number of shares of common stock that may be issued in connection with stock splits, stock dividends, recapitalizations or similar events.

(5) Includes preferred share purchase rights which, prior to the occurrence of certain events, will not be exercisable or evidenced separately from the common stock.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the Registration Statement shall become effective on such date as the SEC acting pursuant to Section 8(a) may determine.

SUBJECT TO COMPLETION, DATED JULY 11, 2007

The information in this prospectus may change. We may not complete the exchange offer and issue these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities, and it is not soliciting an offer to buy these securities, in any state where the offer or sale is not permitted.

Exchange Offer

3.5% Convertible Senior Notes due 2024 for its

3.5% Convertible Subordinated Notes due 2024

and the Sale of up to $30,000,000

3.5% Convertible Senior Notes due 2024

If you elect to participate in the exchange offer, for each $1,000 principal amount of 3.5% Convertible Subordinated Notes due 2024, or existing notes, you tender, you will receive from us $1,000 principal amount of our 3.50% Convertible Senior Notes due 2024, or new notes. The new notes will be issued in denominations of $1,000 and integral multiples of $1,000.

You may also give an indication of your interest in participating in the new money offering in which we are offering up to $30,000,000 principal amount of additional 3.50% Convertible Senior Notes due 2024. We anticipate that the new notes will be issued for cash at a purchase price of % of principal amount (plus accrued interest from , 2007). The new notes will be issued in denominations of $1,000 and integral multiples of $1,000.

The exchange offer is open to all holders of our outstanding 3.5% Convertible Subordinated Notes due 2024.

The exchange offer will expire at 11:59 p.m., New York City time, on , 2007.

Our common stock is traded on the American Stock Exchange under the symbol ILE. On July 9, 2007, the last reported sale price of our common stock on the American Stock Exchange was $3.99 per share. The new notes will not be listed on any national securities exchange, but the common stock underlying the new notes will be approved for listing by the American Stock Exchange upon issuance.

See Risk Factors beginning on page 18 for a discussion of factors you should consider before deciding to participate in the exchange offer or to purchase 3.50% Convertible Senior Notes due 2024 in the new money offering.

We have retained Georgeson Shareholder Communications, Inc. as our information agent to assist you in connection with the exchange offer. You may call Georgeson Shareholder Communications, Inc. at (212) 440-8850, to receive additional documents and to ask questions.

New Money Offering

	Per Note	Total
Public Offering Price(1)	%	$

Placement Agent s Commission(2)	%	$
Proceeds to the Company(3)	%	$

(1) Plus interest, if any, accrued from the date of issuance.

(2) Assumes all of the new notes offered in the new money offering are sold. See Plan of Distribution.

(3) Before deducting offering expenses payable by us in connection with the exchange offer and new money offering and estimated to be $1.2 million.

The new money offering is being offered to the public on a best efforts basis. There is no minimum purchase requirement and no arrangement to place the proceeds of the new money offering in an escrow, trust or similar account.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

The dealer manager for the exchange offer and the placement agent for the new money offering:

Thomas Weisel Partners LLC

The date of this Prospectus is , 2007

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The information contained or incorporated by reference within this prospectus is part of a registration statement we filed with the SEC. You should rely only on the information and representations contained in this prospectus. We have not, and the dealer manager and placement agent have not, authorized any other person to provide you with different information. This prospectus is not an offer to sell, nor is it seeking an offer to buy, these securities in any state where the offer or sale is not permitted. The information in this prospectus is complete and accurate as of the date on the front cover, but the information may have changed since that date.

WHERE YOU CAN FIND MORE INFORMATION

We have filed combined registration statements on Forms S-4 and S-3 with the Securities and Exchange Commission, or SEC, for the exchange offer and the new money offering, respectively. This prospectus does not include all of the information contained in the registration statements. You should refer to the registration statements and their exhibits for additional information. Although we have disclosed or, as discussed below, have incorporated by reference from the other documents we have filed with the SEC the material terms of any contracts, agreements, or other documents that are referenced in this prospectus, you should refer to the exhibits attached to the registration statements for copies of the actual contracts, agreements, or other documents.

We are a public company and file annual, quarterly and current reports, proxy statements and other information with the SEC. You may read and copy any document we file at the SEC s Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. You can request copies of these documents by writing to the SEC and paying a fee for the copying cost. Please call the SEC at 1-800-SEC-0330 for more information about the operation of the public reference room. Our SEC filings are also available to the public at the SEC s website at http://www.sec.gov. In addition, our common stock is listed for trading on the American Stock Exchange Market. You can read and copy reports and other information concerning us at the offices of the National Association of Securities Dealers, Inc. located at 1735 K Street, Washington, D.C. 20006. You may also access our filings with the SEC and obtain other information about us through the website maintained by Isolagen, which is located at http://www.isolagen.com, as soon as reasonably practicable after these materials have been electronically filed with, or furnished to, the SEC. Please note that all references to www.isolagen.com in this registration statement and prospectus are inactive textual references only and that the information contained on Isolagen s website is neither incorporated by reference into this registration statement or prospectus nor intended to be used in connection with either the exchange offer or the new money offering.

The SEC allows us to incorporate by reference into this prospectus the information we file with it, which means that we can disclose important information to you by referring you to those documents. Later information filed with the SEC will update and supersede this information.

We incorporate by reference the documents listed below and any future filings we will make with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act; provided, however, that we are not incorporating any information furnished under either Item 2.02 or Item 7.01 of any current report on Form 8-K:

- Our Annual Report on Form 10-K for the year ended December 31, 2006.
- Our Quarterly Report on Form 10-Q for the quarter ended March 31, 2007.
- Our Current Reports on Form 8-K dated January 16, 2007; February 12, 2007; June 5, 2007; June 13, 2007; and July 6, 2007.

An updated description of our capital stock is included in this prospectus under Description of Capital Stock.

You may request a copy of these filings, at no cost, by contacting us at:

Isolagen, Inc.

Attn: Corporate Secretary

405 Eagleview Boulevard

Exton, Pennsylvania 19341

Phone: (484) 713-6000

To obtain timely delivery, you must request this information no later than five business days before , 2007.

PROSPECTUS SUMMARY

This summary does not contain all of the information you should consider before exchanging your existing notes for the new notes in connection with the exchange offer or investing in new notes offered in the new money offering. For a more complete understanding of Isolagen and the exchange offer and the new money offering, we encourage you to read carefully this entire prospectus. Unless otherwise stated, all references to us, our, Isolagen, we, the Company and similar designations refer to Isolagen, Inc. and its consolidated subsidiaries unless the context otherwise requires.

Our Company

Overview

We are an aesthetic and therapeutic company focused on developing novel skin and tissue rejuvenation products. Our clinical development product candidates are designed to improve the appearance of skin injured by the effects of aging, sun exposure, acne and burns with a patient s own, or autologous, fibroblast cells produced in our proprietary Isolagen Process. Our clinical development programs encompass both aesthetic and therapeutic indications. Our most advanced indication utilizing the Isolagen Process is for the treatment of wrinkles and is currently in Phase III clinical development. We are in the process of initiating a Phase III study in acne scars. We also have ongoing Phase II trials in full face rejuvenation and periodontal disease and plan to initiate additional Phase II trials in burn scars.

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

In June 2006, we named Nicholas L. Teti, Jr., as our Chairman of the Board and Chief Executive Officer, and we named Declan Daly as Executive Vice President-Europe and Chief Financial Officer. Since June 2006, we have also added five other new members to our senior management team. We believe our management team has extensive knowledge of the aesthetics industry and significant experience in product development, registration, manufacturing and marketing.

Our Target Market Opportunities

Aesthetic Market Opportunity

Our Isolagen product candidate for wrinkles/nasolabial folds and full face rejuvenation are directed primarily at the aesthetic market. Aesthetic procedures have traditionally been performed by dermatologists, plastic surgeons and other cosmetic surgeons. According to the American Society for Aesthetic Plastic Surgery, or ASAPS, the total market for non-surgical cosmetic procedures was approximately $4.5 billion in 2006. We believe the aesthetic procedure market is driven by:

- aging of the baby boomer population, currently ages 43 to 61;
- increasing desire of many individuals to improve their appearance;
- impact of managed care and reimbursement policies on physician economics, which has motivated physicians to establish or expand the menu of elective, private-pay aesthetic procedures that they offer; and
- broadening base of the practitioners performing cosmetic procedures beyond dermatologists and plastic surgeons to non-traditional providers.

According to the ASAPS, 11.5 million surgical and non-surgical cosmetic procedures were performed in 2006, as compared to 11.4 million in 2005. Also according to the ASAPS, nearly 9.6 million non-surgical procedures were performed in 2006, as compared to 9.3 million non-surgical procedures in 2005. We believe that the concept of non-surgical cosmetic procedures involving injectable materials has become more mainstream and accepted. According to the ASAPS, the following table shows the top five non-surgical cosmetic procedures performed in 2006:

Procedure	Number
Botox injection	3,181,592
Hyaluronic acids	1,593,554
Laser hair removal	1,475,296
Microdermabrasion	993,071
Laser skin resurfacing	576,509

Procedures among the 35 to 50 year old age group made up 47% of all cosmetic procedures in 2006. The 51 to 64 year old age group made up 25% of all cosmetic procedures in 2006, while the 19 to 34 year old age group made up 22% of cosmetic procedures. Botox injection was the most popular treatment among the 35 to 50 and 51 to 64 year old age groups.

Therapeutic Market Opportunities

In addition to the aesthetic market, we believe there are opportunities for our Isolagen Therapy to treat certain medical conditions such as acne and burn scarring and tissue loss due to papillary recession. Presently, we are studying therapeutic applications of our technology for acne scars, restrictive burn scars and periodontal disease. We are not aware of other autologous cell-based treatments for any of these therapeutic applications.

Acne Scars. Acne is the most common skin disorder in the United States. The term acne includes conditions ranging from clogged pores to outbreaks of severe lesions. According to the American Academy of Dermatology and the National Institute of Health, nearly 80% of people aged 11 to 30 have acne outbreaks at some point, and approximately 95% of these patients will have some degree of scarring depending on the severity and duration of the condition. Over time, as facial tone declines and facial fat stores are depleted, the scars typically become more noticeable. Current treatments for acne scarring are dermabrasion, laser resurfacing, surgical excision, and certain temporary fillers. We believe this market represents a significant opportunity for our acne scar product candidate.

Burns and Burn Scars. *According to a Kalorama Information study on burns (Wound Care Volume II: Burns, Kalorama Information, August 2005), an* estimated 2.5 million Americans seek medical care each year for burns and approximately 100,000 are hospitalized. Approximately 50% of patients with deep second degree, third and fourth degree burns develop restrictive scarring which are often painful, and reduce flexibility and functionality of the area affected. We believe this market represents a significant opportunity for our non-surgical treatment of existing restrictive burn scars. We also believe additional market opportunity exists for the use of our product candidate prior to the formation of a restrictive scar to promote healing in the acute phase of burn wound healing.

Periodontal. In the dental field, a majority of the population will experience periodontal disease at some point in their lives; therefore a market opportunity exists for an effective therapy for treating papillary recession. Therapeutic options that decrease the depth of the periodontal pockets make the patient s daily home care more effective and reduce the chance of further gum and bone loss.

Papillary recession, also known as black triangles, can be associated with the progression of periodontal disease, and involves the recession of the triangular section of gum tissue between two teeth. While the number of Americans with some form of gum disease is significant (up to 30% of Americans American Academy of Periodontology perio.org), we are focused on a targeted subset of this patient population with papillary recession (black triangles). Currently, the loss of tissue associated with severe periodontal disease can only be treated through surgical procedures. These surgical procedures are expensive and painful, can potentially result in complications and have variable outcomes.

Agera Skincare Market Opportunities

Based on the Kline & Company, Inc. study, The U.S. Professional Skin Care Market 2003, the 2008 U.S. professional skin care market is estimated at $742 million. This report describes the market as comprised of the following sub-markets: Salons and spas (59%), Retail stores (22%) and Medical care (19%). The doctor dispensing market is primarily focused in the Dermatology and Plastic Surgeon segments but we believe is gaining interest with a broader audience of physician specialties, including the medical spa environment.

Isolagen s Technology Platform

We use our proprietary Isolagen Process to produce an autologous living cell therapy, which we refer to this as the Isolagen Therapy, to address the normal effects of aging or injury to skin. Each of our product candidates is designed to use Isolagen Therapy to treat an indicated condition. We use our Isolagen Process to harvest autologous fibroblasts from a small skin punch biopsy from behind the ear with the use of a local anesthetic. We chose this location both because of limited exposure to the sun and to avoid creating a visible scar. In the case of our dental product candidate, the biopsy is taken from the patient s palette. The biopsy is then packed in a vial in a special shipping container and shipped to our laboratory where the fibroblast cells are released from the biopsy and initiated into our cell culture process where the cells proliferate until they reach the required cell count. The fibroblasts are then harvested and tested by quality control and assurance before being released for injection. The number of cells and the frequency of injections may vary and will depend on the indication or application being studied.

If and when approved, we expect our product candidates will offer patients their own living fibroblast cells in a personalized therapy designed to improve the appearance of damaged skin. Our product candidates are intended to be a minimally invasive alternative to surgical intervention and a viable natural alternative to other chemical, synthetic or toxic treatments. We also believe that because our product candidates are autologous, the risk of an immunological or allergic response is low. With regard to the therapeutic markets, we believe that our product candidates may address an insufficiently met medical need for the treatment of each of restrictive burn scars, acne scars, and dental papillary insufficiency or gum recession and help patients avoid surgical intervention.

Clinical Development Programs

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

Our aesthetics development programs include product candidates (1) to treat targeted areas or wrinkles, and (2) to provide full-face rejuvenation that includes the improvement of fine lines, wrinkles, skin texture and appearance. Our therapeutic development programs are designed to treat restrictive burn scars, acne scars and dental papillary recession. All of our product candidates are non-surgical and minimally invasive.

Aesthetic Development Programs

Wrinkles/Nasolabial Folds *Phase III Trial:* In October 2006, we reached an agreement with the U.S. Food and Drug Administration, or FDA, on the design of a Phase III pivotal study protocol for the treatment of nasolabial folds (lines which run from the sides of the nose to the corners of the mouth). The randomized, double-blind protocol was submitted to the FDA under the agency s Special Protocol Assessment, or SPA, regulations. Pursuant to this assessment process, the FDA has agreed that our study design for two identical trials, including patient numbers, clinical endpoints, and statistical analyses, is adequate to provide the necessary data that, depending on the outcome, could form the basis of an efficacy claim for a marketing application. The pivotal Phase III trials will evaluate the efficacy and safety of Isolagen Therapy against placebo in approximately 400 patients with approximately 200 patients enrolled in each trial. We completed enrollment of the study and commenced injection of subjects in early 2007. As we previously disclosed in March 2007, we have encountered certain delays in our protocol related to manufacturing and scheduling in connection with the study. We have since conferred with the FDA regarding these issues, and based on our findings and based on the recommendations received from the FDA, we submitted an amendment to our study protocol and chemistry, manufacturing and control (or CMC) submission. On June 1, 2007, we received approval of the amendment and the related Informed Consent Forms from the Investigational Review Board. The FDA s decision regarding approval of the protocol amendment as it affects the SPA is expected in July 2007. We do

not believe that this amendment will have a significant impact upon our Phase III pivotal study. We expect that injections related to this study will be completed during the third quarter of 2007.

Full Face Rejuvenation *Phase II Trial:* In February 2007, we completed investigator training for an open label (unblinded) trial designed to evaluate the use of Isolagen Therapy to treat fine lines and wrinkles for the full face of approximately 50 patients. Approximately 70% of these patients have been enrolled and biopsied. Five investigators across the United States are participating in this trial. Subject patients will be followed for six months following each subject s last injection.

Therapeutic Development Programs

Acne Scars *Phase III Trial:* We are preparing for a Phase III trial to evaluate the use of our Isolagen Therapy to correct or improve the appearance of acne scars. We have submitted our protocol to the FDA. A pre- Investigational New Drug application, or IND, meeting with the FDA was held on March 2, 2007 to discuss our trial design to study the Isolagen Therapy for the treatment of acne scarring. Based on our discussion with the FDA, we intend to file an IND for a Phase III clinical trial during mid-2007. We believe we can provide an acceptable rationale for the proposed dose described in the submitted protocol. However, we may be required to include certain comparability data relating to dose. We believe we can collect these data as part of our Phase III trial. We expect to commence this trial during the second half of 2007.

Restrictive Burn Scars *Phase II Trial:* In January 2007, we met with the FDA to discuss our clinical program for the use of Isolagen Therapy for burn patients. Based on our discussions with the FDA, we are preparing to initiate a Phase II trial to evaluate the use of Isolagen Therapy to improve function and flexibility in existing restrictive burn scars. We filed an IND for Isolagen Therapy to treat restrictive burn scars in 18-30 patients in February 2007. We expect to commence this trial during the second half of 2007 across three investigator sites.

Acute Burn Scars Prevention *Exploratory Phase II Trial:* We are preparing for a Phase II trial to evaluate the use of Isolagen Therapy for use in burn patients prior to and during early stage scar formation to prevent the formation of hypertrophic and restrictive burn scars. This application of the Isolagen Therapy would occur in the more acute phase of scar formation in burn patients with the intent, as stated above, to prevent the formation of the hypertrophic and restrictive burn scar. The timing of the Isolagen Therapy is anticipated to be provided approximately six weeks after the acute burn. We have only had very preliminary discussions with the FDA regarding this potential application.

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

In 2006, we commenced a Phase II open-label dental trial for the treatment of Interdental Papillary Insufficiency. This single site study includes 13 subjects and the trial is expected to conclude during the first half of 2008. We are evaluating the necessary regulatory path to support licensure for this product candidate. We are also in the early planning stages of a Phase III study.

Agera Skincare Systems

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

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Our Strategy

We have recently adopted an eight-point business strategy created by our new management team. The objectives of this business strategy are to achieve regulatory milestones, position the company and its products properly, create a commercial operations infrastructure, and exploit complementary business opportunities by:

- Targeting areas of skin and tissue rejuvenation with compelling market potential.
- Advancing existing clinical development programs and identifying other strategic indications.
- Developing manufacturing efficiencies and effective process improvements.
- Pursuing opportunities to in-license or purchase complementary products and/or technologies.
- Acquiring small businesses or creating co-marketing arrangements aligned with our overall business strategy.
- Optimizing the value of our intellectual property and business relationships through partnerships to exploit synergies.
- Focusing our management resources on building our business from the United States outward, intending ultimately to move into or operate in foreign markets where business opportunities then exist.
- Adding proven and experienced biotechnology and health care professionals to our management team.

Corporate Information

Our principal executive offices are located at 405 Eagleview Boulevard, Exton, Pennsylvania 19341, and our telephone number is (484) 713-6000. Our web site address is *www.isolagen.com*. Information on our web site is not part of this prospectus, and should not be relied upon in making any decision to participate in the exchange offer or new money offering.

We own or have rights to various copyrights, trademarks and trade names used in our business including but not limited to the following: Isolagen, Isolagen Therapy, Isolagen Process, Agera and Agera Rx. This prospectus also includes other trademarks, service marks and trade names of other companies. Other trademarks and trade names appearing in this prospectus are the property of the holder of such trademarks and trade names.

Industry and Market Data

We obtained statistical data, market data and other industry data and forecasts used in this prospectus from publicly available information. While we believe that the statistical data, industry data, forecasts and market research are reliable, we have not independently verified the data, and we do not make any representation as to the accuracy of that information.

The Exchange Offer

We have summarized the terms of the exchange offer in this section. You should read the detailed description of the offers under The Exchange Offer and of the new notes under Description of New Notes for more detailed information.

Terms of the exchange offer

Existing notes	We are offering to exchange new notes for up to an aggregate principal amount of $90,000,000 of existing notes. We are offering to exchange $1,000 principal amount of new notes for each $1,000 principal amount of existing notes. New notes will be issued in denominations of $1,000 and integral multiple of $1,000. You may tender all, some or none of your existing notes.
Deciding whether to participate in the exchange offer	Neither we nor our officers or directors make any recommendation as to whether you should tender or refrain from tendering all or any portion of your existing notes in the exchange offer. Further, we have not authorized anyone to make any such recommendation. You must make your own decision whether to tender your existing notes in the exchange offer and, if so, the aggregate amount of existing notes to tender. You should read this prospectus and the applicable letter of transmittal and consult with your advisors, if any, to make that decision based on your own financial position and requirements. In particular, you should know that there are certain significant adverse tax consequences that could result from the exchange of existing notes or the holding, conversion or other disposition of the new notes. Investors considering the exchange of existing notes for new notes should discuss the tax consequences with their own tax advisors. See Certain U.S. Federal Income Tax Considerations. The exchange offer is separate and distinct from the new money offering and whether or not you indicate an interest to participate in the new money offering will have no effect on your ability to participate in the exchange offer.
Expiration date; extension; termination	The exchange offer and withdrawal rights will expire at 11:59 p.m., New York City time, on , 2007, or any subsequent time or date to which the exchange offer is extended. We may extend the expiration date or amend any of the terms or conditions of the exchange offer for any reason. In the case of an extension, we will issue a press release or other public announcement no later than 9:00 a.m., New York City time, on the next business day after the previously scheduled expiration date. If we extend the expiration date, you must tender your existing notes prior to the date identified in the press release or public announcement if you wish to participate in the exchange offer. In the case of an amendment, we will issue a press release or other public announcement. Subject to applicable law, we have the right to: • extend the expiration date of the exchange offer and retain all tendered existing notes, subject to your right to withdraw your tendered existing notes; and

	• waive any condition or otherwise amend any of the terms or conditions of the exchange offer in any respect, other than the condition that the registration statement relating to the exchange offer be declared effective.
Conditions to the exchange offer	The exchange offer is subject to the registration statement, and any post-effective amendment to the registration statement covering the new notes, being effective under the Securities Act of 1933, as amended, or the Securities Act. The exchange offer is also subject to customary conditions, which we may waive, subject to applicable law. The satisfaction or waiver of the conditions, other than those that relate to governmental or regulatory conditions necessary to the consummation of the exchange offer, will be determined as of , 2007, the expiration date of the exchange offer.
Withdrawal rights	You may withdraw a tender of your existing notes at any time before the applicable exchange offer expires by delivering a written notice of withdrawal to The Bank of New York Trust Company, N.A., the exchange agent, before the expiration date. If you change your mind, you may retender your existing notes by again following the exchange offer procedures before the exchange offer expires. In addition, if we have not accepted your tendered existing notes for exchange, you may withdraw your existing notes at any time after , 2007.
Procedures for tendering outstanding existing notes	If you hold existing notes through a broker, dealer, commercial bank, trust company or other nominee, you should contact that person promptly if you wish to tender your existing notes. Tenders of your existing notes will be effected by book-entry transfers through The Depository Trust Company. If you hold existing notes through a broker, dealer, commercial bank, trust company or other nominee, you may also comply with the procedures for guaranteed delivery. Please do not send letters of transmittal to us. You should send letters of transmittal only to The Bank of New York Trust Company, N.A., the exchange agent, at its office as indicated under The Exchange Offer at the end of this prospectus and in the letter of transmittal. The exchange agent can answer your questions regarding how to tender your existing notes.
Accrued interest on existing notes	Existing note holders will receive accrued and unpaid interest on any existing notes accepted in the exchange offer. The amount of accrued interest will be calculated from the last interest payment date up to, but excluding, the closing date of the exchange offer and will be paid in cash. Accordingly, there will not be a gap in the interest accrual on existing notes tendered in the exchange offer.
Interest on new notes	Interest on the new notes will be payable at a rate of 3.50% per year, payable in arrears semiannually on May 1 and November 1 of each year, commencing November 1, 2007. Interest on the new notes will begin to accrue from the closing date of the exchange offer.
Trading	Our common stock is traded on the American Stock Exchange under the symbol ILE.

Information agent	Georgeson Shareholder Communications, Inc.
Exchange agent	The Bank of New York Trust Company, N.A.
Dealer manager	Thomas Weisel Partners LLC
Risk factors	You should carefully consider the matters described under Risk Factors, as well as other information set forth in this prospectus and in the applicable letter of transmittal.
Consequences of not exchanging existing notes	The liquidity and trading market for existing notes not tendered in the exchange offer could be adversely affected to the extent a significant amount of the existing notes are tendered and accepted in the exchange offer. In addition, the new notes will rank senior in right of payment to the existing notes. Therefore, in the event of any liquidation of the company, holders of the new notes will be entitled to payment before any amounts may be repaid to the holders of the existing notes.
Tax consequences	See Certain U.S. Federal Income Tax Considerations for a description of certain material U.S. federal income tax consequences associated with the exchange offer and the new money offering.
Ratio of earnings to fixed charges	Our earnings were insufficient to cover fixed charges by $23.3 million, $25.7 million, $14.4 million, $7.5 million, and $4.1 million for the years ended December 31, 2006, 2005, 2004, 2003 and 2002, respectively, and by $9.8 million for the three months ended March 31, 2007.

The New Money Offering

We have summarized the terms of the new money offering in this section. The new money offering is separate and distinct from the exchange offer. You should read the detailed description of the offer under The New Money Offering and of the new notes under Description of New Notes for more detailed information.

Terms of the new money offering	We are offering to the public up to $30,000,000 aggregate principal amount of new notes for cash.
Offering price	We anticipate that the new notes will be issued for cash at a purchase price of % of principal amount (plus accrued interest from , 2007).
Use of proceeds	We expect to use the net proceeds from the new money offering for general corporate purposes, including product development, sales and marketing, capital expenditures, acquisitions, and working capital.
Placement agent	Thomas Weisel Partners LLC
Indications of interest	If you are interested in participating in the new money offering, you should provide your indication of interest directly to Thomas Weisel Partners LLC at (888) 627-6373, attention Isolagen Offering Desk. All sales of the new notes will be made at the discretion of the placement agent in consultation with us. You need not participate in the exchange offer in order to deliver an indication of interest to participate in the new money offering.

Allocation of new notes in the new money offering

Neither we nor the placement agent may confirm an allocation on any indication of interest or offer to buy new notes until the registration statement relating to the new money offering, of which this prospectus is a part, has become effective. You may withdraw or change your indication of interest or offer to buy new notes, without obligation or commitment of any kind, at any time prior to being contacted by the placement agent, informed of your allocation and asked to confirm your allocation or withdraw your indication of interest after the effective date of the registration statement of which this prospectus is a part. You will not be obligated to buy new notes by indicating an interest or offering to buy new notes. Even if you indicate your interest in buying new notes, you may not receive any allocation of new notes or your allocation may be for an amount substantially less than the amount of your indication of interest. Allocations of new notes may not be proportional to the total indications of interest that are made in the new money offering. Allocation decisions will be at the discretion of the placement agent, in consultation with the Company, who will consider various factors such as, but not limited to, investment interest in us, investment objectives, and investor diversification. Neither we nor the placement agent will consider whether or not you are a holder of the existing notes or participate in the exchange offer as a relevant factor when determining the allocation of the new notes in the new money offering.

Deciding whether to participate in the new money offering

Neither we nor our officers or directors make any recommendation as to whether you should indicate your interest in participating in the new money offering. Further, we have not authorized anyone to make any such recommendation. You must make your own decision whether to indicate your interest in purchasing new notes, and if so, whether to purchase the total amount of new notes that may be allocated to you. You should read this prospectus and consult with your advisors, if any, to make that decision based on your own financial position and requirements. In particular, you should know that there are certain significant adverse tax consequences that could result from the holding, conversion or other disposition of the new notes. Investors considering the purchase of new notes in the new money offering should discuss the tax consequences with their own tax advisors. See Certain U.S. Federal Income Tax Considerations.

Comparison of New Notes and Existing Notes

The following is a brief summary of the terms of the new notes and the existing notes. For a more detailed description of the new notes and existing notes, see Description of New Notes and Description of Existing Notes.

	New Notes	Existing Notes
Securities	(i) Up to $120,000,000 in principal amount of our 3.50% Convertible Senior Notes due 2024, $90,000,000 of which is being offered in the exchange offer and (ii) up to $30,000,000 of which is being separately offered in the new money offering.	As of the date of this prospectus, there is $90,000,000 in aggregate principal amount of our existing 3.5% Convertible Subordinated Notes due 2024 outstanding.
Issuer	Isolagen, Inc., a Delaware corporation.	Isolagen, Inc., a Delaware corporation.
Maturity	November 1, 2024.	November 1, 2024.
Interest	Interest on the new notes will be payable in arrears at a rate of 3.50% per year, payable semiannually on May 1 and November 1 of each year, commencing November 1, 2007. We will pay interest on the new notes only in cash except as described below under Additional interest upon automatic conversion and Additional interest upon voluntary conversion.	Interest on the existing notes is payable in arrears at a rate of 3.50% per year, payable semiannually on May 1 and November 1 of each year. Interest on the existing notes is payable only in cash.
Conversion Rights	The new notes will be convertible, at the option of the holder, at any time on or prior to maturity, into shares of our common stock at an initial conversion rate of approximately 181.8182 shares per $1,000 principal amount of new notes (equal to a conversion price of approximately $5.50 per share). The conversion rate will be subject to adjustment. There will be no limitation as to the principal amount of the new notes you can convert at any time.	The existing notes are convertible, at the option of the holder, at any time on or prior to maturity, into shares of our common stock at a conversion rate of 109.2001 shares per $1,000 principal amount of existing notes (equal to a conversion price of approximately $9.16 per share). There is no limitation as to the principal amount of existing notes you can convert at any time.
Auto-Conversion	We will have the right automatically to convert some or all of the new notes (an automatic conversion) on or prior to the maturity date if the closing price of our common stock has exceeded 140% of the conversion price then in effect for at least 20 trading days during any consecutive 30 trading day period (an automatic conversion price).	None.

Additional interest upon automatic conversion	If we elect automatically to convert some or all of your new notes on or prior to November 5, 2010, we will pay additional interest to holders of new notes being converted. This additional interest will be equal to the amount of interest that would have been payable on the new notes from the last day interest was paid on the new notes, through and including November 5, 2010. Additional interest, if any, will be paid in cash or, solely at our option, in our common stock or a combination of cash and our common stock. If we pay additional interest upon an automatic conversion with our common stock, such stock will be valued at the conversion price that is in effect at that time.	None.
Additional interest upon voluntary conversion	If you elect to convert some or all of your new notes on or prior to November 5, 2010, we will pay additional interest to holders of new notes being converted. This additional interest will be equal to the amount of interest that would have been payable on the new notes from the last day interest was paid on the new notes, through and including November 5, 2010. Additional interest, if any, will be paid in cash or, solely at our option, in our common stock or a combination of cash and our common stock. If we pay additional interest upon a voluntary conversion with our common stock, such stock will be valued at the conversion price that is in effect at that time.	None.
Purchase of notes by us at option of holders	On each of November 1, 2011, November 1, 2014 and November 1, 2019, holders may require us to purchase all or a portion of their new notes at a cash purchase price equal to 100% of the principal amount of notes to be purchased, plus any accrued and unpaid interest to, but excluding the purchase date.	On each of November 1, 2009, November 1, 2014 and November 1, 2019, holders may require us to purchase all or a portion of their existing notes at a cash purchase price equal to 100% of the principal amount of notes to be purchased, plus any accrued and unpaid interest to, but excluding the purchase date.
Repurchase at holder s option upon a fundamental change	You may require us to repurchase your new notes upon a fundamental change, as described in Description of New Notes, in cash at 100% of the principal amount, plus accrued and unpaid interest, to but excluding the repurchase date.	You may require us to repurchase your existing notes upon a fundamental change, as described in Description of Existing Notes, in cash at 100% of the principal amount, plus accrued and unpaid interest, to but excluding the repurchase date.

Conversion rate adjustment upon a fundamental change	In the event of certain fundamental changes that occur prior to November 1, 2010, we will be required to pay a make-whole premium to holders of new notes who convert their new notes on or after the date on which we have given notice of the fundamental change and on or before the purchase date. See Description of New Notes Repurchase at Option of Holders Upon a Fundamental Change.	In the event of certain fundamental changes that occur prior to November 1, 2009, we will be required to pay a make-whole premium to holders of existing notes who convert their existing notes on or after the date on which we have given notice of the fundamental change and on or before the purchase date. See Description of Existing Notes Repurchase at Option of Holders Upon a Fundamental Change.
Redemption of notes at our option	Prior to November 5, 2010, the new notes are not redeemable. On or after November 5, 2010, we may redeem some or all of the new notes for cash at 100% of the principal amount of the new notes to be redeemed, plus accrued and unpaid interest, to but excluding the redemption date.	Prior to November 1, 2009, the existing notes are not redeemable. On or after November 1, 2009, we may redeem some or all of the existing notes for cash at 100% of the principal amount of the existing notes to be redeemed, plus accrued and unpaid interest, to but excluding the redemption date.
Ranking	The new notes will be our general, unsecured obligations and will rank: • equal in right of payment to all of our other existing and future unsubordinated and unsecured indebtedness • senior in right of payment to all of our existing and future subordinated indebtedness, including the existing notes; and • structurally subordinated in right of payment to all of our subsidiaries existing and future obligations (including secured and unsecured obligations) and effectively subordinated in right of payment to our secured obligations, to the extent of the assets securing such obligations. As of March 31, 2007, we had no secured indebtedness that would rank effectively senior to the new notes, and we had approximately $90.0 million of subordinated and unsecured debt obligations (including the existing notes). In addition, as of March 31, 2007, our subsidiaries had, exclusive of intercompany obligations and deferred revenue, approximately $7.5 million of liabilities. The indenture under which the notes are issued does not restrict our incurrence of indebtedness, including secured debt, or our subsidiaries incurrence of indebtedness or other liabilities.	The existing notes are our general, unsecured obligations and are subordinated in right of payment to our existing and future senior debt, including the new notes. In addition, the notes are effectively subordinated in right of payment to all existing and future indebtedness and other liabilities of our subsidiaries. As of March 31, 2007, we had no senior debt outstanding and our subsidiaries had accounts payable and other accrued liabilities of approximately $7.5 million. The indenture under which the notes are issued does not restrict our incurrence of indebtedness, including senior debt, or our subsidiaries incurrence of indebtedness or other liabilities.

Extensions of cure period for event of default for late SEC reports	If we fail timely to file our annual or quarterly reports with the SEC in accordance with the new notes indenture or to comply with the requirements of Section 314(a)(1) of the Trust Indenture Act, which we refer to as a filing failure, we may elect to pay the holders an extension fee which will accrue at a rate of 1.0% per annum of the aggregate principal amount of new notes then outstanding. The extension fee will accrue on the new notes from the date that is 60 days after notice of the filing failure is given by holders to, but excluding, the earlier of the date on which we make the filings that gave rise to the filing failure and the date that is 60 days after the date such notice was given by holders.	None.
Electing shareholder protection	In the event holders of our common stock have the opportunity to elect the form of consideration to be received in a reclassification, change, combination, consolidation, merger, sale or conveyance, we will make adequate provision whereby the holders of the new notes shall have the opportunity, on a timely basis, to determine the form of consideration into which all of the new notes, treated as a single class, shall be convertible.	None.

Questions and Answers About the Exchange Offer and New Money Offering

Why is the Company undertaking the exchange offer and the new money offering?

We believe that the exchange offer and new money offering are important components of our plan to reform our capital structure to execute our business strategy better. If the exchange offer and new money offering are fully subscribed, they will:

- position us to be able to convert a substantial portion of our debt into common stock if the closing price of our common stock exceeds 140% of the conversion price;

- provide us with additional capital for general corporate purposes, including product development, sales and marketing, capital expenditures, acquisitions of businesses and assets, and working capital; and

- provide us additional time to execute the business strategy of our new executive management team by extending the initial date on which holders may require us to purchase their notes from November 1, 2009 to November 1, 2011.

What will I receive in exchange for my existing notes?

If you tender your existing notes in the exchange offer you will receive new notes with the following characteristics:

- for each $1,000 in principal amount of your existing notes exchanged, you will receive $1,000 in principal amount of our new notes, which new notes will rank senior in right of payment to the existing notes;

- interest will accrue on the new notes at a rate of 3.50% per year;

- each $1,000 in principal amount of new notes will be convertible at an initial conversion rate of approximately 181.8182 shares per $1,000 principal amount of new notes (equal to a conversion price of approximately $5.50 per share), subject to adjustment, at any time prior to the close of business on the maturity date;

- on or after November 5, 2010, we may redeem some or all of the new notes at 100% of the principal amount of the new notes to be redeemed, plus accrued and unpaid interest; and

- we will have the right automatically to convert your new notes if the closing price of our common stock exceeds 140% of the conversion price then in effect for a specified period of time.

These are only some of the material terms of the new notes, and you should read the Questions and Answers About Voluntary Conversion and Auto-Conversion of the New Notes and the detailed description of the new notes under Description of New Notes for further information.

Is the exchange offer conditioned upon a minimum number of existing notes being tendered or any minimum number of new notes being purchased for cash in the new money offering?

No, the exchange offer is not conditioned upon any minimum number of existing notes being tendered or any minimum number of new notes being purchased for cash. The exchange offer is subject to customary conditions, which we may waive.

How soon must I act if I decide to participate in the exchange offer?

Unless we extend the expiration date, the exchange offer will expire on , 2007 at 11:59 p.m., New York City time. The exchange agent must receive all required documents and instructions on or before , 2007 or, subject to guaranteed delivery procedures, you will not be able to participate in the exchange offer.

What happens if I do not participate in the exchange offer?

The decision of a holder of existing notes not to participate in the exchange offer will not affect his or her eligibility to indicate interest for new notes in the new money offering. If a significant number of the existing notes are tendered and accepted in the exchange offer, the liquidity and the trading market for the existing notes that

remain outstanding will likely be impaired. In addition, the new notes will rank senior in right of payment to the existing notes. Therefore, in the event of any liquidation of the company, holders of the new notes will be entitled to payment before any amounts may be repaid to the holders of the existing notes. We and the placement agent will not consider whether or not a holder of the existing notes participates in the exchange offer as a relevant factor when determining the allocation of the new notes in the new money offering.

How do I indicate my interest for new notes for cash in the new money offering?

If you are interested in purchasing new notes for cash, please contact Thomas Weisel Partners LLC at (888) 627-6373, attention Isolagen Offering Desk. Allocations of new notes in the new money offering will be made by the placement agent, after consultation with us. The closing of the new money offering is anticipated to occur on the same day as the closing of the exchange offer.

What should I do if I have additional questions about the exchange offer or the new money offering?

If you have any questions, need additional copies of the offering material, or otherwise need assistance, please contact the information agent for the offering:

Georgeson Shareholder Communications, Inc.
(212) 440-9850

To receive copies of our recent SEC filings, you can contact us by mail or refer to the other sources described under Where You Can Find More Information.

Questions and Answers About Voluntary Conversion and Automatic Conversion of the New Notes

When can I voluntarily convert my new notes?

Unless we call some or all of the new notes for redemption, you can voluntarily convert all or a portion of your new notes at any time on or prior to maturity. If we call some or all of the new notes for redemption or an automatic conversion date is set and you want to convert your new notes, you must convert your new notes before the close of business on the last business day prior to the redemption date or auto-conversion date, as applicable.

What will I receive when I voluntarily convert my new notes?

For each new note that you convert before November 5, 2010, you will receive additional interest equal to the amount of interest that would have been payable on the new notes from the last day interest was paid on the new notes, through and including November 5, 2010. This additional interest will be paid in cash, or, solely at our option, in our common stock or a combination of cash and our common stock. If we pay this additional interest in common stock, the stock will be valued at the conversion price that is in effect at the time of conversion.

When can the Company automatically convert my new notes?

We may elect, at our option, automatically to convert all or a portion of your new notes at any time prior to the maturity of the new notes if the closing price of our common stock has exceeded the automatic conversion price for at least 20 trading days during any consecutive 30 trading day period ending within five trading days prior to the notice of automatic conversion.

What will I receive if the Company automatically converts my new notes?

If we elect automatically to convert all or a portion of your new notes before November 5, 2010, you will receive, for each new note so converted, additional interest equal to the amount of interest that would have been payable on the new notes from the last day interest was paid on the new notes, through and including November 5, 2010. This additional interest will be paid in cash, or, solely at our option, in our common stock or a combination of cash and our common stock. If we pay this additional interest in common stock, the stock will be valued at the conversion price that is in effect at the time of conversion.

SUMMARY HISTORICAL FINANCIAL DATA

The following tables set forth our summary historical consolidated financial data. The selected consolidated financial data as of and for the years ended December 31, 2006, 2005, and 2004 have been derived from our audited consolidated financial statements, which are incorporated by reference from our Form 8-K filed with the Commission on June 5, 2007. The selected consolidated financial data as of and for the three months ended March 31, 2007 are derived from our unaudited consolidated financial statements incorporated by reference from Part I, Item 1 of our most recent quarterly report on Form 10-Q filed with the Commission on May 10, 2007. Historical results are not necessarily indicative of future results. See the notes to the financial statements for an explanation of the method used to determine the number of shares used in computing basic and diluted net loss per common share.

	For the Quarter Ended March 31, 2007	For the Year Ended December 31, 2006(1)(3)	2005	2004
	(in thousands, except per share data)			
Statement of Operations Data:				
Revenue:				
Product sales	$ 314	$ 384	$	$
License fees				
Total revenue	314	384		
Cost of product sales and operating expenses	9,585	22,165	24,593	14,365
Loss from operations	(9,271)	(21,781)	(24,593)	(14,365)
Net other (expense) income	(577)	(1,559)	(1,104)	6
Loss from continuing operations before income tax	(9,848)	(23,340)	(25,697)	(14,359)
Provision for income tax benefit		191		
Net loss from continuing operations	(9,848)	(23,149)	(25,697)	(14,359)
Loss from discontinued operations, net of tax	(1,093)	(12,672)	(10,081)	(7,115)
Net loss	$ (10,941)	$ (35,821)	$ (35,778)	$ (21,474)
Deemed dividend associated with beneficial conversion of preferred stock				
Preferred stock dividend				
Net loss	$ (10,941)	$ (35,821)	$ (35,778)	$ (21,474)
Net loss per common share basic and diluted	$ (0.36)	$ (1.18)	$ (1.18)	$ (0.71)
Weighted average basic and diluted common share outstanding	30,375	30,309	30,245	30,117

	As of March 31, 2007	As of December 31, 2006(2)	2005	2004
Balance Sheet Data:				
Cash and cash equivalents, restricted cash, and long and short-term marketable securities	$ 25,313	$ 33,267	$ 67,014	$ 116,139
Working capital	20,768	29,488	61,131	111,062
Total assets	48,589	57,287	90,180	128,121
Total liabilities	97,460	96,806	98,277	99,136
Shareholders (deficit) equity	(50,877)	(41,624)	(8,097)	28,985

(1) Includes the results of operations of Agera, which was acquired August 10, 2006 from the date of acquisition to December 31, 2006. See Note 3 of Notes to Consolidated Financial Statements incorporated by reference from our Form 8-K filed on June 5, 2007.

(2) Includes the assets and liabilities of Agera which was acquired August 10, 2006.

(3) Effective January 1, 2006 we adopted the provisions of Statement of Financial Accounting Standards (SFAS) No. 123 (revised 2004), Share-Based Payment (SFAS No. 123(R)). SFAS No. 123(R) requires entities to recognize compensation expense for all share-based payments to employees and directors, including grants of employee stock options, based on the grant-date fair value of those share-based payments, adjusted for expected forfeitures. As a result of adopting Statement 123(R) on January 1, 2006, our loss before income taxes and net loss for the year ended December 31, 2006 was $1.1 million higher than if it had continued to account for share-based compensation under APB No. 25. Basic and diluted loss per share for the year ended December 31, 2006 was $0.04 greater than if we had continued to account for share-based compensation under APB No. 25 (refer to Note 12 in Notes to Consolidated Financial Statements incorporated by reference from our Form 8-K filed on June 5, 2007 for further stock-based compensation discussion).

RISK FACTORS

You should carefully consider the risks described below and all other information contained in this prospectus, including the documents we are incorporating by reference into this prospectus, before you decide to exchange your existing notes for new notes or buy for cash additional new notes. Some of the following risks relate principally to our business and the industry in which we operate. Other risks relate principally to the securities markets and ownership of our securities. Additional risks and uncertainties not presently known to us, or risks that we currently consider immaterial, may also impair our operations or results. If any of the following risks actually occurs, we may not be able to conduct our business as currently planned, and our financial condition and operating results could be seriously harmed. In that case, the market price of our common stock, the existing notes and the new notes could decline, and you could lose all or part of your investment.

Risks Related to Our Business and Industry

Clinical trials may fail to demonstrate the safety or efficacy of our product candidates, which could prevent or significantly delay regulatory approval and/or prevent us from raising additional financing.

Prior to receiving approval to commercialize any of our product candidates, we must demonstrate with substantial evidence from well-controlled clinical trials, and to the satisfaction of the FDA and other regulatory authorities in the United States and abroad, that our product candidates are both safe and effective. We will need to demonstrate our product candidates efficacy and monitor their safety throughout the process. We are conducting a pivotal Phase III clinical trial related to our lead facial aesthetic product candidate. The success of prior pre-clinical or clinical trials does not ensure the success of these trials, which are being conducted in populations with different racial and ethnic demographics than our previous trials. If our current trials or any future clinical trials are unsuccessful, our business and reputation would be harmed and the price at which our stock and new notes trade could be adversely affected.

All of our product candidates are subject to the risks of failure inherent in the development of biotherapeutic products. The results of early-stage clinical trials of our product candidates do not necessarily predict the results of later-stage clinical trials. Product candidates in later-stage clinical trials may fail to demonstrate desired safety and efficacy traits despite having successfully progressed through initial clinical testing. Even if we believe the data collected from clinical trials of our product candidates is promising, this data may not be sufficient to support approval by the FDA or any other U.S. or foreign regulatory approval. Pre-clinical and clinical data can be interpreted in different ways. Accordingly, FDA officials could reach different conclusions in assessing such data than we do, which could delay, limit or prevent regulatory approval. In addition, the FDA, other regulatory authorities, our Institutional Review Boards or we, may suspend or terminate clinical trials at any time.

Any failure or delay in completing clinical trials for our product candidates, or in receiving regulatory approval for the sale of any product candidates, has the potential to harm our business, and may prevent us from raising necessary, additional financing that may need in the future.

We have yet to be profitable, losses may continue to increase from current levels and we will continue to experience significant negative cash flow as we expand our operations, which may limit or delay our ability to become profitable.

We have incurred losses since our inception, have never generated significant revenue from commercial sales of our products, and have never been profitable. We are focused on product development, and we have expended significant resources on our clinical trials, personnel and research and development. We expect these costs to continue to rise in the future. In addition, we have incurred, and will continue to incur, marketing and brand development costs for Agera, and will continue to incur such costs in the future. Our net losses for the quarter ended March 31, 2007 and the years ended December 31, 2006, 2005 and 2004 were $10.9 million, $35.8 million, $35.8 million and $21.5 million, respectively. As of March 31, 2007, we had an accumulated development stage net loss attributable to common shareholders of $138.0 million. We expect to continue to experience increasing operating losses and negative cash flow as we expand our operations.

We expect to continue to incur significant additional costs and expenses related to:

- FDA clinical trials and regulatory approvals;
- expansion of laboratory and manufacturing operations;

- research and development;
- brand development;
- personnel costs;
- development of relationships with strategic business partners, including physicians who might use our future products; and
- interest expense and amortization of issuance costs related to the existing notes or new notes.

If our product candidates fail in clinical trials or do not gain regulatory approval, if our product candidates do not achieve market acceptance, or if we do not succeed in effectively and efficiently implementing manufacturing process and technology improvements to make our product commercially viable, we will not be profitable. If we fail to become and remain profitable, or if we are unable to fund our continuing losses, our business may fail.

We will continue to experience operating losses and significant negative cash flow until we begin to generate significant revenue from (a) the sale of our product candidates, which is dependent on the receipt of FDA approval for our product candidates and is dependent on our ability to successfully market and sell such product candidates, and (b) our Agera product line, which is dependent on achieving significant market penetration in its approved markets.

Higher than anticipated dropout rates of subjects in our clinical trials could adversely affect trial results and make it more difficult to obtain regulatory approval.

Enrollment of 421 patients in our Phase III nasolabial/wrinkle trial was completed in February 2007. Our Phase III clinical trial includes three separate treatment sessions for each subject followed by a 26 week observation period. Patient dropouts are expected and can occur for a variety of reasons. A subject who drops out of the trial prior to the 26 week post-treatment observation would, under the current protocol, be considered a failure to respond in the results of the clinical trial. As fewer patients complete a trial, a higher positive response rate must be obtained for the group of remaining treated subjects in order to demonstrate statistically significant benefit compared to placebo. Our Phase III nasolabial/wrinkle trial consists of two studies, 006 and 005. Our 006 study enrolled 218 subjects and, as of July 9, 2007, has 204 remaining. Our 005 study enrolled 203 subjects and, as of July 9, 2007, has 179 remaining. Continued efforts are being made to prevent additional dropouts in both trials. However, higher than anticipated dropout rates could adversely affect our clinical trial results, and could require us to, among other options, enroll additional subjects into our Phase III trial, which would result in additional cost and time necessary to complete our pivotal trials for this indication, if they can be successfully completed at all. This additional time, expense and uncertainty would also affect our ability to obtain FDA clearance of our product for this indication, which could ultimately adversely affect our profitability and financial position.

Notwithstanding the completion of the new money offering, we will need to raise substantial additional capital to fund our operations through commercialization of our product candidates, and we do not have any commitments for that capital.

We are focused on research and development, are incurring losses from operations, have limited capital resources, and do not have access to a line of credit or other debt facility. We expect to file a Biologics License Application, or BLA, for our lead dermal product candidate in 2008 if we do not suffer any significant delays in completing our lead dermal product clinical trial and if the trial demonstrates safety and efficacy.

Without taking into account the funds we may receive in the new money offering, we believe our existing capital resources are adequate to finance our operations through December 31, 2007. Assuming that we are successful in raising the amount of new notes being offered of $30,000,000, we may still need to engage in a capital-raising transaction prior to FDA approval of any of our product candidates. As such, notwithstanding the completion of the new money offering, we will still need additional capital to achieve commercialization of our product candidates and to execute our business strategy, and if we are unsuccessful in raising additional capital we may be unable to achieve commercialization of our product candidates or fully to execute our business strategy on a timely basis, if at all.

If we raise additional capital through the issuance of debt securities, the debt securities may be secured and, therefore, senior in right of payment to the new notes and any interest payments would reduce the amount of cash available to operate and grow our business. Additionally, we do not know whether any financing, if obtained, will be adequate to meet our capital needs and to support our growth. If adequate capital cannot be obtained on satisfactory terms, we may terminate or delay regulatory approval of one or more of our product candidates, curtail or delay the implementation of manufacturing process improvements or delay the expansion of our sales and marketing capabilities. If we terminate or delay regulatory approval, curtail or delay manufacturing improvements or delay the expansion of our sales and marketing capabilities, our business may fail.

We may be unable to successfully commercialize any of our product candidates currently under development.

Before we can commercialize any of our product candidates in the United States, we will need to:

- conduct substantial additional research and development;
- successfully complete lengthy and expensive pre-clinical and clinical testing, including the pivotal Phase III clinical trial for our lead facial aesthetic product candidate;
- successfully improve our manufacturing process; and
- obtain FDA approvals.

Even if our product development efforts are successful, we cannot assure you that we will be able to commercialize any of our product candidates currently under development. In that event, we will be unable to generate significant revenue, and our business will fail.

We have not generated significant revenue from commercial sales of our products to date, and we do not know whether we will ever generate significant revenue.

We are focused on product development and have not generated significant revenue from commercial sales of our products to date. Prior to the fourth quarter of 2006 we offered the Isolagen Therapy for sale in the United Kingdom. Our United Kingdom operation had been operating on a negative gross margin as we investigated means to improve manufacturing technologies for the Isolagen Process. During the fourth quarter of 2006 we determined to cease offering our Isolagen Therapy in the United Kingdom, as part of our continuing efforts to evaluate the best uses of our resources. Our revenue for the quarter ended March 31, 2007 and the years ended December 31, 2006, 2005 and 2004 was $0.3 million, $0.4 million, $0 and $0, respectively.

We do not currently offer any products for sale that are based upon our Isolagen Therapy, and we cannot guarantee that we will ever market any such products. We must demonstrate that our product candidates satisfy rigorous standards of safety and efficacy before the FDA and other regulatory authorities in the United States and abroad will approve the product candidates for commercial marketing. We will need to conduct significant additional research, pre-clinical testing and clinical testing before we can file applications with the FDA for approval of our product candidates. We must also develop, validate and obtain FDA approval of any improved manufacturing process. In addition, to compete effectively our future products must be easy to use, cost-effective and economical to manufacture on a commercial scale. We may not achieve any of these objectives, and we may never generate revenue from our product candidates.

Obtaining FDA and other regulatory approvals is complex, time consuming and expensive, and the outcomes are uncertain.

The process of obtaining FDA and other regulatory approvals is time consuming, expensive and difficult. Clinical trials are required and the marketing and manufacturing of our product candidates are subject to rigorous testing procedures. We have finished enrollment related to our pivotal Phase III clinical trial for our lead facial product candidate. Our other product candidates will require additional clinical trials. The commencement and completion of clinical trials for any of our product candidates could be delayed or prevented by a variety of factors, including:

- delays in obtaining regulatory approvals to commence a study;

- delays in identifying and reaching agreement on acceptable terms with prospective clinical trial sites;
- delays in the enrollment of subjects;
- manufacturing difficulties;
- lack of efficacy during clinical trials; or
- unforeseen safety issues.

We do not know whether our clinical trials will need to be restructured or will be completed on schedule, if at all, or whether they will provide data necessary to support necessary regulatory approval. Significant delays in clinical trials will impede our ability to commercialize our product candidates and generate revenue, and could significantly increase our development costs.

We utilize bovine-sourced materials in our current trials. Future FDA regulations, as well as currently proposed regulations, may require us to change the source of the bovine-sourced materials we use in our products or to cease using bovine-sourced materials. If we are required to use alternative materials in our products, if such materials are unavailable to us for any reason, or if we choose to change the materials used in our products in the future, we would need to validate the new manufacturing process and run comparability trials with the reformulated product, which could delay our submission for regulatory approval.

Even if marketing approval from the FDA is received for one or more of our product candidates, the FDA may impose post-marketing requirements, such as:

- labeling and advertising requirements, restrictions or limitations, including the inclusion of warnings, precautions, contra-indications or use limitations that could have a material impact on the future profitability of our product candidates;
- testing and surveillance to monitor our future products and their continued compliance with regulatory requirements;
- submitting products for inspection;
- suspending manufacturing; or
- withdrawing marketing clearance.

Our ability to effectively commercialize our product candidates depends on our ability to improve our manufacturing process and validate such future improvements.

As part of the approval process, we must pass a pre-approval inspection of our manufacturing facility before we can obtain marketing approval for our product candidates. We have never gone through a FDA pre-approval regulatory inspection of our manufacturing facility and we cannot guarantee that we will satisfy the requirements for approval. All of our manufacturing methods, equipment and processes must comply with the FDA s current Good Manufacturing Practices, or cGMP, requirements. We will also need to perform extensive audits of our suppliers, vendors and contract laboratories. The cGMP requirements govern all areas of recordkeeping, production processes and controls, personnel and quality control. To ensure that we meet these requirements, we will expend significant time, money and effort. Due to the unique nature of our Isolagen Therapy, we cannot predict the likelihood that the FDA will approve our facility as compliant with cGMP requirements even if we believe that we have taken the steps necessary to achieve compliance.

The FDA, in its regulatory discretion, may require us to undergo additional clinical trials with respect to any new or improved manufacturing process we develop or utilize, in the future, if any. This could include a requirement to change the materials used in our manufacturing process. These improvements or modifications could delay or prevent approval of our product candidates. If we fail to comply with cGMP requirements, pass an FDA pre-approval inspection or obtain FDA approval of our manufacturing process, we would not receive FDA approval and would be subject to possible regulatory action. The failure to successfully implement our manufacturing process may delay or prevent our future

profitability.

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If we do obtain FDA approval in the future and if we satisfy the FDA with regard to a validated manufacturing process, we may be unable to commercially manufacture the Isolagen Therapy profitably. The manufacturing cost has been subject to fluctuation, depending, in part, on the yields obtained from our manufacturing process. There is no guarantee that future manufacturing improvements will result in a manufacturing cost low enough to effectively compete in the market. Further, we currently manufacture the Isolagen Therapy on a limited basis (for research and development and for trial purposes only) and we have not manufactured commercial levels of the Isolagen Therapy in the United States. Such commercial manufacturing volumes, in the future, could lead to unexpected inefficiencies and result in unprofitable performance results.

The amendment to our Special Protocol Assessment, or SPA, may release the FDA from its binding acceptance of our study protocol design.

Pursuant to our Special Protocol Assessment, or SPA, the FDA agreed that our study design for our Phase III pivotal studies for the treatment of nasolabial folds was acceptable to form the basis of an efficacy claim for a marketing application. Once such agreement is made under an SPA, the FDA may not alter its perspective on the issues of design, execution, or analysis of the protocol unless public health concerns unrecognized at the time of protocol assessment under this process are evident. The possibility exists that the protocol assessment is no longer binding on the FDA if the sponsor deviates from the protocol that was agreed upon with the Agency. In our May 26, 2007 amendment to the protocol, we made changes to the protocol after the FDA issued its assessment. If the parties agree in writing to include an amendment in the original SPA, the SPA will remain binding. We have requested confirmation that those changes fall under the SPA. We anticipate receiving such confirmation, as the changes have all been previously discussed with the FDA. However, if the FDA does not provide such confirmation, the SPA will no longer be binding, and the results of the study will have to stand on its own merits.

We may not be successful in our efforts to develop commercial-scale manufacturing technology and methods.

In order to successfully commercialize any approved product candidates, we will be required to produce such products on a commercial scale and in a cost-effective manner. As stated in the preceding risk factor, we intend to seek FDA approval of our manufacturing process as a component of the BLA application and approval process. However, we can provide no assurance that we will be able to cost-effectively and commercially scale our operations using our current manufacturing process. If we are unable to develop suitable techniques to produce and manufacture our product candidates, our business prospects will suffer.

We depend on a third-party manufacturer for our Agera product line, the loss or unavailability of which would require us to find a substitute manufacturer, if available, resulting in delays in production and additional expenses.

Our Agera skin care product line is manufactured by a third party. We are dependent on this third party to manufacture Agera s products, and the manufacturer is responsible for supplying the formula ingredients for the Agera product lines. If for any reason the manufacturer discontinues production of Agera s products at a time when we have a low volume of inventory on hand or are experiencing a high demand for the products, significant delays in production of the products and interruption of product sales may result as we seek to establish a relationship and commence production with a new manufacturer, which would negatively impact our results of operation.

If our Isolagen Therapy is found to be unsafe or ineffective, or if our Isolagen Therapy is perceived to be unsafe or ineffective, our business would be materially harmed.

Our product candidates utilize our Isolagen Therapy. In addition, we expect to utilize our Isolagen Therapy in the development of any future product candidates. If our Isolagen Therapy is found to be, or perceived to be, unsafe or ineffective, we will not be successful in obtaining marketing approval for any product candidates then pending, and we may have to modify or cease production of any products that previously may have received regulatory approval. Negative media exposure, whether founded or unfounded, related to the safety and/or effectiveness of our Isolagen Therapy may harm our reputation and/or competitive position.

Subjects in our clinical development programs are required to sign Informed Consent Forms and amendments made to our Informed Consent Form could give rise to delays in our clinical development programs.

The subjects in our clinical trials are required to sign Informed Consent Forms. These forms are subject to amendment based on new knowledge obtained during the execution of our clinical trials or based on changes to the basic design or administration of our clinical trials. In the early stages of producing our Isolagen Therapy, we utilize certain raw materials, which include antibiotics, bovine-sourced materials and other animal-based materials. We have amended our Informed Consent Form to address these items. Amendments made to our Informed Consent Form could give rise to delays in our clinical development programs.

If physicians do not follow our established protocols, the efficacy and safety of our product candidates may be adversely affected.

We are dependent on physicians to follow our established protocols both as to the administration and the handling of our product candidates in connection with our clinical trials, and we will continue to be dependent on physicians to follow such protocols if our product candidates are commercialized. The treatment protocol requires each physician to verify the patient s name and date of birth with the patient and the patient records immediately prior to injection. In the event more than one patient s cells are delivered to a physician or we deliver the wrong patient s cells to the physician, which has occurred on at least one occasion, it is the physician s obligation to follow the treatment protocol and assure that the patient is treated with the correct cells. If the physicians do not follow our protocol, the efficacy and safety of our product candidates may be adversely affected.

Our business, which depends on one facility, is vulnerable to natural disasters, telecommunication and information systems failures, terrorism and similar problems, and we are not fully insured for losses caused by all of these incidents.

We currently conduct all our research, development and manufacturing operations in one facility located in Exton, Pennsylvania. As a result, if we obtain FDA approval of any of our product candidates, all of the commercial manufacturing for the U.S. market will take place at a single U.S. facility. If regulatory, manufacturing or other problems require us to discontinue production at that facility, we will not be able to supply product, which would adversely impact our business.

Our Exton facility could be damaged by fire, floods, power loss, telecommunication and information systems failures or similar events. Our insurance policies have limited coverage levels for loss or damages in these events and may not adequately compensate us for any losses that may occur. In addition, terrorist acts or acts of war may cause harm to our employees or damage our Exton facility. The potential for future terrorist attacks, the national and international responses to terrorist attacks or perceived threats to national security, and other acts of war or hostility have created many economic and political uncertainties that could adversely affect our business and results of operations in ways that we cannot predict, and could cause our stock price to fluctuate or decline. We are uninsured for these types of losses.

As a result of our limited operating history, we may not be able correctly to estimate our future operating expenses, which could lead to cash shortfalls.

We have a limited operating history and our primary business activities consist of conducting clinical trials. As such, our historical financial data is of limited value in estimating future operating expenses. Our budgeted expense levels are based in part on our expectations concerning the costs of our clinical trials, which depend on the success of such trials and our ability to effectively and efficiently conduct such trials. In addition, our budgeted expense levels are based in part on our expectations of future revenue that we may receive from our Agera product line, and the size of future revenue depends on the choices and demand of individuals. Our limited operating history and clinical trial experience make these costs and revenues difficult to forecast accurately. We may be unable to adjust our operations in a timely manner to compensate for any unexpected increase in costs or shortfall in revenue. Further, our fixed manufacturing costs and business development and marketing expenses will increase significantly as we expand our operations. Accordingly, a significant increase in costs or shortfall in revenue could have an immediate and material adverse effect on our business, results of operations and financial condition.

Our operating results may fluctuate significantly in the future, which may cause our results to fall below the expectations of securities analysts, stockholders and investors.

Our operating results may fluctuate significantly in the future as a result of a variety of factors, many of which are outside of our control. These factors include, but are not limited to:

- the level of demand for the products that we may develop;
- the timely and successful implementation of improved manufacturing processes;
- our ability to attract and retain personnel with the necessary strategic, technical and creative skills required for effective operations;
- the amount and timing of expenditures by practitioners and their patients;
- introduction of new technologies;
- product liability litigation, class action and derivative action litigation;
- the amount and timing of capital expenditures and other costs relating to the expansion of our operations;
- the state of the debt and/or equity markets at the time of any proposed offering we choose to initiate, including the exchange offer and new note offering;
- our ability to successfully integrate new acquisitions into our operations;
- government regulation and legal developments regarding our Isolagen Therapy in the United States and in the foreign countries in which we may operate in the future; and
- general economic conditions.

As a strategic response to changes in the competitive environment, we may from time to time make pricing, service, technology or marketing decisions or business or technology acquisitions that could have a material adverse effect on our operating results. Due to any of these factors, our operating results may fall below the expectations of securities analysts, stockholders and investors in any future period, which may cause our stock price to decline.

We are party to securities and derivative litigation that distracts our management, is expensive to conduct and seeks a damage award against us.

We and certain of our current and former officers have been named as defendants in a consolidated putative shareholder class action lawsuit in the United States District Court for the Eastern District of Pennsylvania. The complaint purports to seek unspecified damages on behalf of an alleged class of persons who purchased our publicly traded securities between March 3, 2004 and August 9, 2005. The complaints allege that we and our officers violated Section 10(b) and Rule 10b-5 of the Exchange Act and Sections 11 and 12(a)(2) of the Securities Act by making certain false statements and omissions to the investing public regarding our business operations, management, and intrinsic value of our publicly traded securities. The complaints also allege liability against the individual defendants under Sections 20(a) and 20A of the Exchange Act and Section 15 of the Securities Act. In addition, stockholders have filed derivative actions seeking recovery on behalf of Isolagen against certain of our current and former officers and directors, alleging, among other things, breach of fiduciary duties and other wrongful conduct by those individual defendants. While we have directors and officers liability insurance, it is uncertain whether the insurance will be sufficient to cover all damages, if any, that we may be required to pay. In addition, the securities and derivative lawsuits may distract the attention of our management, and are expensive to conduct. We have and may continue to incur substantial legal and other professional service costs in connection with the stockholder lawsuits. The amount of any future costs in this respect cannot be determined at this time, and could have a material adverse effect on our business results.

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Our failure to comply with extensive governmental regulation may significantly affect our operating results.

Even if we obtain regulatory approval for some or all our product candidates, we will continue to be subject to extensive requirements by a number of foreign, national, state and local agencies. These regulations will impact many aspects of our operations, including testing, research and development, manufacturing, safety, efficacy, labeling, storage, quality control, adverse event reporting, record keeping, approval, advertising and promotion of our future products. We must also submit new or supplemental applications and obtain FDA approval for certain changes to an approved product, product labeling or manufacturing process. Application holders must also submit advertising and other promotional material to the FDA and report on ongoing clinical trials. The FDA enforces post-marketing regulatory requirements, including the cGMP requirements, through periodic unannounced inspections. We do not know whether we will pass any future FDA inspections. Failure to pass an inspection could disrupt, delay or shut down our manufacturing operations. Failure to comply with applicable regulatory requirements could, among other things, result in:

- fines;
- changes to advertising;
- failure to obtain marketing approvals for our product candidates;
- revocation or suspension of regulatory approvals of products;
- product seizures or recalls;
- court-ordered injunctions;
- import detentions;
- delay, interruption or suspension of product manufacturing, distribution, marketing and sales; or
- civil or criminal sanctions.

The discovery of previously unknown problems with our future products may result in restrictions of the products, including withdrawal from manufacture. In addition, the FDA may revisit and change its prior determinations with regard to the safety or efficacy of our future products. If the FDA s position changes, we may be required to change our labeling or cease to manufacture and market our future products. Even prior to any formal regulatory action, we could voluntarily decide to cease the distribution and sale or recall any of our future products if concerns about their safety or efficacy develop.

In their regulation of advertising and other promotion, the FDA and the FTC may issue correspondence alleging that some advertising or promotional practices are false, misleading or deceptive. The FDA and FTC are authorized to impose a wide array of sanctions on companies for such advertising and promotion practices, which could result in any of the following:

- incurring substantial expenses, including fines, penalties, legal fees and costs to comply with the FDA s requirements;
- changes in the methods of marketing and selling products;
- taking FDA mandated corrective action, which may include placing advertisements or sending letters to physicians rescinding previous advertisements or promotions; or
- disruption in the distribution of products and loss of sales until compliance with the FDA s position is obtained.

Improper promotional activities may also lead to investigations by federal or state prosecutors, and result in criminal and civil penalties. If we become subject to any of the above requirements, it could be damaging to our reputation and restrict our ability to sell or market our future products, and our business condition could be adversely affected. We may also incur significant expenses in defending ourselves.

Physicians may prescribe pharmaceutical or biologic products for uses that are not described in a product s labeling or differ from those tested by us and approved by the FDA. While such off-label uses are common and the FDA does not regulate physicians choice of treatments, the FDA does restrict a manufacturer s communications on the

subject of off-label use. Companies cannot promote FDA-approved pharmaceutical or biologic products for off-label uses, but under certain limited circumstances they may disseminate to practitioners articles published in peer-reviewed journals. To the extent allowed by law, we intend to disseminate peer-reviewed articles on our future products to practitioners. If, however, our activities fail to comply with the FDA s regulations or guidelines, we may be subject to warnings from, or enforcement action by, the FDA or other regulatory or law enforcement authorities.

Our sales, marketing, and scientific/educational grant programs must also comply with applicable requirements of the anti-fraud and abuse provisions of the Social Security Act, the False Claims Act and similar state laws, each as amended. Pricing and rebate programs must comply with the Medicaid rebate requirements of the Omnibus Budget Reconciliation Act of 1990 and the Veteran s Health Care Act of 1992, each as amended. If products are made available to authorized users of the Federal Supply Schedule of the General Services Administration, additional laws and requirements apply. All of these activities are also potentially subject to federal and state consumer protection and unfair competition laws. The distribution of product samples to physicians must comply with the requirements of the Prescription Drug Marketing Act.

Depending on the circumstances, failure to meet post-approval requirements can result in criminal prosecution, fines or other penalties, injunctions, recall or seizure of products, total or partial suspension of production, denial or withdrawal of pre-marketing product approvals, or refusal to allow us to enter into supply contracts, including government contracts. Any government investigation of alleged violations of law could require us to expend significant time and resources in response, and could generate negative publicity.

Legislative or regulatory reform of the healthcare system may affect our ability to sell our future products profitably.

In the United States and a number of foreign jurisdictions, there have been legislative and regulatory proposals to change the healthcare system in ways that could impact our ability to sell our future products profitably. The FDA s policies may change and additional government regulations may be enacted, which could prevent or delay regulatory approval of our product candidates. We cannot predict the likelihood, nature or extent of adverse government regulation that may arise from future legislation or administrative action, either in the United States or abroad. If we are not able to maintain regulatory compliance, we might not be permitted to market our future products and our business could suffer.

We currently conduct business in foreign markets, and our business strategy involves selling our product candidates in foreign markets. These operations are and will be subject to a variety of regulations in those foreign markets that could have a material adverse effect on our business in a particular market or in general.

Our Agera product line is currently sold in the United Kingdom. In addition, our business strategy includes the sale of our product candidates in foreign markets. With respect to our product candidates, we will be required to comply with local laws regulating and approving the sale of biologics in each foreign market that we attempt to operate in. As such, we may become subject to a variety of foreign regulations. In addition, to the extent that our currently available product lines are regulated in any foreign markets, we will be required to comply with such regulations. Our failure to comply, or assertions that we fail to comply, with any foreign regulations could have a material adverse effect on our business in a particular market or in general. Government regulations in international markets could delay or prevent the introduction, or require the reformulation or withdrawal, of some of our future products.

Our foreign operations and any foreign operations we may commence in the future are exposed to risks associated with exchange rate fluctuations, trade restrictions and political, economic and social instability.

Our foreign operations and any foreign operations we commence in the future will subject us to the risks of doing business abroad, including:

- unexpected changes in regulatory requirements;
- export and import restrictions, tariffs and other trade barriers;
- difficulties in staffing and managing foreign operations;

- longer payment cycles and problems in collecting accounts receivable;
- potential adverse tax consequences;
- exchange rate fluctuations;
- increased risks of piracy and limits on our ability to enforce our intellectual property rights;
- limits on repatriation of funds; and
- political risks that may limit or disrupt international sales.

A foreign government may impose trade or foreign exchange restrictions or increased tariffs, which could adversely affect our operations. Our operations in some markets also may be adversely affected by political, economic and social instability in foreign countries, including terrorism. Any limitations or interruptions in our foreign operations could have a material adverse effect on our business.

Any future products that we develop may not be commercially successful.

Even if we obtain regulatory approval for our product candidates in the United States and other countries, those products may not be accepted by the market. A number of factors may affect the rate and level of market acceptance of our products, including:

- labeling requirements or limitations;
- market acceptance by practitioners and their patients;
- our ability to successfully improve our manufacturing process;
- the effectiveness of our sales efforts and marketing activities; and
- the success of competitive products.

If our current or future product candidates fail to achieve market acceptance, our profitability and financial condition will suffer.

Our competitors in the pharmaceutical, medical device and biotechnology industries may have superior products, manufacturing capabilities, financial resources or marketing position.

The human healthcare products and services industry is extremely competitive. Our competitors include major pharmaceutical, medical device and biotechnology companies. Most of these competitors have more extensive research and development, marketing and production capabilities and greater financial resources than we do. Our future success will depend on our ability to develop and market effectively our future products against those of our competitors. If our future products receive marketing approval but cannot compete effectively in the marketplace, our results of operations and financial position will suffer.

Difficulties managing growth could adversely affect our business, operating results and financial condition.

If we achieve growth in our operations in the next few years, which we must do to succeed, such growth could place a strain on our management, and our administrative, operational and financial infrastructure. We would need to hire additional management, financial, sales and marketing personnel to manage our operations. In addition, our ability to manage our future operations and growth would require the continued improvement of operational, financial and management controls, reporting systems and procedures. If we are unable to manage our growth effectively or if we are unable to attract additional highly qualified personnel, our business, operating results and financial condition may be materially adversely affected.

We are dependent on our key scientific and other management personnel, and the loss of any of these individuals could harm our business.

We are dependent on the efforts of our key management and scientific staff. The loss of any of these individuals, or our inability to recruit and train additional key personnel in a timely manner, could materially and adversely affect

our business and our future prospects. A loss of one or more of our current officers or key personnel could severely and negatively impact our operations. We have employment agreements with most of our key management personnel, but some of these people are employed at-will and any of them may elect to pursue other opportunities at any time. We have no present intention of obtaining key man life insurance on any of our executive officers or key management personnel.

We will need to attract, train and retain additional highly qualified senior executives and technical and managerial personnel in the future.

We are in the process of seeking additional senior executives, as well as technical and managerial staff members. There is a high demand for highly trained executive, technical and managerial personnel in our industry. We do not know whether we will be able to attract, train and retain highly qualified technical and managerial personnel in the future, which could have a material adverse effect on our business, financial condition and results of operations.

If we are unable effectively to promote our brands and establish a competitive position in the marketplace, our business may fail.

Our Isolagen Therapy brand names are new and unproven. We believe that the importance of brand recognition will increase over time. In order to gain brand recognition, we may increase our marketing and advertising budgets to create and maintain brand loyalty. We do not know whether these efforts will lead to greater brand recognition. If we are unable effectively to promote our brands, including our Agera product line, and establish competitive positions in the marketplace, our business results will be materially adversely affected.

If we are unable to adequately protect our intellectual property and proprietary technology, the value of our technology and future products will be adversely affected, and if we are unable to enforce our intellectual property against unauthorized use by third parties our business may be materially harmed.

Our long-term success largely depends on our future ability to market technologically competitive products. Our ability to achieve commercial success will depend in part on obtaining and maintaining patent protection and trade secret protection of our technology and future products, as well as successfully defending these patents against third party challenges. In order to do so we must:

- obtain and protect commercially valuable patents or the rights to patents both domestically and abroad;
- operate without infringing upon the proprietary rights of others; and
- prevent others from successfully challenging or infringing our proprietary rights.

As of March 31, 2007, we had 8 issued U.S. patents, more than 6 pending U.S. patent applications and more than 28 foreign counterparts. However, we may not be able to obtain additional patents relating to our technology or otherwise protect our proprietary rights. If we fail to obtain or maintain patents from our pending and future applications, we may not be able to prevent third parties from using our proprietary technology. We will be able to protect our proprietary rights from unauthorized use only to the extent that these rights are covered by valid and enforceable patents that we control or are effectively maintained by us as trade secrets. Furthermore, the degree of future protection of our proprietary rights is uncertain because legal means afford only limited protection and may not adequately protect our rights or permit us to gain or keep a competitive advantage.

The patent situation of companies in the markets in which we compete is highly uncertain and involves complex legal and factual questions for which important legal principles remain unresolved. No consistent policy regarding the breadth of claims allowed in such companies patents has emerged to date in the United States. The laws of other countries do not protect intellectual property rights to the same extent as the laws of the United States, and many companies have encountered significant problems in protecting and defending such rights in foreign jurisdictions. The legal systems of certain countries, particularly certain developing countries, do not favor the enforcement of patents and other intellectual property protection, particularly those relating to biotechnology and/or pharmaceuticals, which could make it difficult for us to stop the infringement of our patents in foreign countries in which we hold patents. Proceedings to enforce our patent rights in the Unted States foreign jurisdictions would likely result in substantial cost and divert our efforts and attention from other aspects of our business. Changes in either the patent laws or in interpretations of patent laws in the United States or other countries may diminish the value of our

intellectual property. Accordingly, we cannot predict the breadth of claims that may be allowed or enforced in our patents or in third-party patents.

Other risks and uncertainties that we face with respect to our patents and other proprietary rights include the following:

- the inventors of the inventions covered by each of our pending patent applications might not have been the first to make such inventions;
- we might not have been the first to file patent applications for these inventions or similar technology;
- the future and pending applications we will file or have filed, or to which we will or do have exclusive rights, may not result in issued patents or may take longer than we expect to result in issued patents;
- the claims of any patents that are issued may not provide meaningful protection;
- our issued patents may not provide a basis for commercially viable products or may not be valid or enforceable;
- we might not be able to develop additional proprietary technologies that are patentable;
- the patents licensed or issued to us may not provide a competitive advantage;
- patents issued to other companies, universities or research institutions may harm our ability to do business;
- other individual companies, universities or research institutions may independently develop or have developed similar or alternative technologies or duplicate our technologies and commercialize discoveries that we attempt to patent;
- other companies, universities or research institutions may design around technologies we have licensed, patented or developed; and
- many of our patent claims are method, rather than composition of matter, claims; generally composition of matter claims are easier to enforce and are more difficult to circumvent.

Our business may be harmed and we may incur substantial costs as a result of litigation or other proceedings relating to patent and other intellectual property rights.

A third party may assert that we, one of our subsidiaries or one of our strategic collaborators has infringed his, her or its patents and proprietary rights or challenge the validity or enforceability of our patents and proprietary rights. Likewise, we may need to resort to litigation to enforce our patent rights or to determine the scope and validity of a third party s proprietary rights.

We cannot be sure that other parties have not filed for or obtained relevant patents that could affect our ability to obtain patents or operate our business. Even if we have previously filed patent applications or obtain issued patents, others may file their own patent applications for our inventions and technology, or improvements to our inventions and technology. We have become aware of published patent applications filed after the issuance of our patents that, should the owners pursue and obtain patent claims to our inventions and technology, could require us to challenge such patent claims. Others may challenge our patent or other intellectual property rights or sue us for infringement. In all such cases, we may commence legal proceedings to resolve our patent or other intellectual property disputes or defend against charges of infringement or misappropriation. An adverse determination in any litigation or administrative proceeding to which we may become a party could subject us to significant liabilities, result in our patents being deemed invalid, unenforceable or revoked, or drawn into an interference, require us to license disputed rights from others, if available, or to cease using the disputed technology. In addition, our involvement in any of these proceedings may cause us to incur substantial costs and result in diversion of management and technical personnel. Furthermore, parties making claims against us may be able to obtain injunctive or other equitable relief that could effectively block our ability to develop, commercialize and sell products, and could result in the award of substantial damages against us.

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The outcome of these proceedings is uncertain and could significantly harm our business. If we do not prevail in this type of litigation, we or our strategic collaborators may be required to:

- pay monetary damages;

- expend time and funding to redesign our Isolagen Therapy so that it does not infringe others patents while still allowing us to compete in the market with a substantially similar product;

- obtain a license, if possible, in order to continue manufacturing or marketing the affected products or services, and pay license fees and royalties, which may be non-exclusive. This license may be non-exclusive, giving our competitors access to the same intellectual property, or the patent owner may require that we grant a cross-license to our patented technology; or

- stop research and commercial activities relating to the affected products or services if a license is not available on acceptable terms, if at all.

Any of these events could materially adversely affect our business strategy and the value of our business.

In addition, the defense and prosecution of intellectual property suits, interferences, oppositions and related legal and administrative proceedings in the United States and elsewhere, even if resolved in our favor, could be expensive and time consuming and could divert financial and managerial resources. Some of our competitors may be able to sustain the costs of complex patent litigation more effectively than we can because they have substantially greater financial resources.

We may be liable for product liability claims not covered by insurance.

Physicians who used our facial aesthetic product in the past, or who may use any of our future products, and patients who have been treated by our facial aesthetic product in the past, or who may use any of our future products, may bring product liability claims against us. In particular, we have received negative publicity and negative correspondence from patients in the United Kingdom that had previously received our treatment although to date no claims have been brought against us since the closure of our U.K. operation. While we have taken, and continue to take, what we believe are appropriate precautions, we may be unable to avoid significant liability exposure. We currently keep in force product liability insurance that we believe would cover these types of claims, although such insurance may not be adequate to fully cover any potential claims or may lapse in accordance with its terms prior to the assertion of claims. We may be unable to obtain product liability insurance in the future, or we may be unable to do so on acceptable terms. Any insurance we obtain or have obtained in the past may not provide adequate coverage against any asserted claims. In addition, regardless of merit or eventual outcome, product liability claims may result in:

- diversion of management s time and attention;
- expenditure of large amounts of cash on legal fees, expenses and payment of damages;
- decreased demand for our products or any of our future products and services; or
- injury to our reputation.

If we are the subject of product liability claims our business could be adversely affected, and if these claims are in excess of insurance coverage, if any, that we may possess, our financial position will suffer.

If we are unable to keep up with rapid technological changes, our future products may become obsolete or unmarketable.

Our industry is characterized by significant and rapid technological change. Although we attempt to expand our technological capabilities in order to remain competitive, research and discoveries by others may make our future products obsolete. If we cannot compete effectively in the marketplace, our potential for profitability and financial position will suffer.

Our acquisitions of companies or technologies may result in disruptions in business and diversion of management attention.

We have made and may in the future make acquisitions of complementary companies, products or technologies. Any acquisitions will require the assimilation of the operations, products and personnel of the acquired businesses and the training and motivation of these individuals. Acquisitions may disrupt our operations and divert management s attention from day-to-day operations, which could impair our relationships with current employees, customers and strategic partners. We may also have to, or we may choose to, incur debt or issue equity securities to pay for any future acquisitions. The issuance of equity securities for an acquisition could be substantially dilutive to our securityholders. In addition, our results of operations may suffer because of acquisition-related costs or amortization or impairment costs for acquired goodwill and other intangible assets. If management is unable to fully integrate acquired businesses, products, technologies or personnel with existing operations, we may not receive the intended benefits of the acquisitions. As of the date of this prospectus, we are not party to any definitive agreements for the acquisition of any company, product or technology.

We have not declared any dividends on our common stock to date, and we have no intention of declaring dividends in the foreseeable future.

The decision to pay cash dividends on our common stock rests with our Board of Directors and will depend on our earnings, unencumbered cash, capital requirements and financial condition. We do not anticipate declaring any dividends in the foreseeable future, as we intend to use any excess cash to fund our operations. Investors in our common stock should not expect to receive dividend income on their investment, and investors will be dependent on the appreciation of our common stock to earn a return on their investment.

Provisions in our charter documents could prevent or delay stockholders attempts to replace or remove current management.

Our charter documents provide for staggered terms for the members of our Board of Directors. Our Board of Directors is divided into three staggered classes, and each director serves a term of three years. At stockholders meetings only those directors comprising one of the three classes will have completed their term and be subject to re-election or replacement.

In addition, our Board of Directors is authorized to issue blank check preferred stock, with designations, rights and preferences as they may determine. Accordingly, our Board of Directors may, without stockholder approval, issue shares of preferred stock with dividend, liquidation, conversion, voting or other rights that could adversely affect the voting power or other rights of the holders of our common stock. This type of preferred stock could also be issued to discourage, delay or prevent a change in our control.

In May 2006, our Board of Directors declared a dividend of one right for each share of our common stock to purchase our newly created Series C participating preferred stock in connection with the adoption of a stockholder rights plan. These rights may have certain anti-takeover effects. For example, the rights may cause substantial dilution to a person or group that attempts to acquire us in a manner which causes the rights to become exercisable. As such, the rights may have the effect of rendering more difficult or discouraging an acquisition of our company which is deemed undesirable by our board of directors.

The use of a staggered Board of Directors, the ability to issue blank check preferred stock, and the adoption of stockholder rights plans are traditional anti-takeover measures. These provisions in our charter documents make it difficult for a majority stockholder to gain control of the Board of Directors and of our company. These provisions may be beneficial to our management and our Board of Directors in a hostile tender offer and may have an adverse impact on stockholders who may want to participate in such a tender offer, or who may want to replace some or all of the members of our Board of Directors.

Provisions in our bylaws provide for indemnification of officers and directors, which could require us to direct funds away from our business and future products.

Our bylaws provide for the indemnification of our officers and directors. We have in the past and may in the future be required to advance costs incurred by an officer or director and to pay judgments, fines and expenses

incurred by an officer or director, including reasonable attorneys fees, as a result of actions or proceedings in which our officers and directors are involved by reason of being or having been an officer or director of our company. Funds paid in satisfaction of judgments, fines and expenses may be funds we need for the operation of our business and the development of our product candidates, thereby affecting our ability to attain profitability.

Future sales of our common stock may depress our stock price.

The market price of our common stock could decline as a result of sales of substantial amounts of our common stock in the public market, or as a result of the perception that these sales could occur. In addition, these factors could make it more difficult for us to raise funds through future offerings of common stock. As of April 1, 2007, there were 34,377,731 shares of common stock issued and 30,377,731 outstanding. All of our outstanding shares are freely transferable without restriction or further registration under the Securities Act.

There is a limited public trading market for our common stock.

There is a limited public trading market for our common stock. Without an active trading market, there can be no assurance of any liquidity or resale value of our common stock, and stockholders may be required to hold shares of our common stock for an indefinite period of time.

As a public company, our business is subject to numerous requirements that are currently and continuously evolving and could substantially increase our operating expenses and divert management s attention from the operation of our business.

The Sarbanes-Oxley Act of 2002, which became law in July 2002, has required changes in some of our corporate governance, securities disclosure and compliance practices. In response to the requirements of that Act, the SEC and the American Stock Exchange have promulgated new rules and listing standards covering a variety of subjects. Compliance with these new rules and listing standards has significantly increased our legal and financial and accounting costs, and we expect these increased costs to continue. In addition, the requirements have taxed a significant amount of management s and the Board of Directors time and resources. Likewise, these developments may make it more difficult for us to attract and retain qualified members of our board of directors, particularly independent directors, or qualified executive officers.

As directed by Section 404 of the Sarbanes-Oxley Act, the SEC adopted rules requiring public companies to include a report of management on the company s internal control over financial reporting in their annual reports on Form 10-K that contains an assessment by management of the effectiveness of the company s internal control over financial reporting. In addition, the public accounting firm auditing the company s financial statements must attest to and report on management s assessment of the effectiveness of the company s internal control over financial reporting. This requirement is applicable to our current annual report on Form 10-K and for all future annual reports.

Lack of effectiveness of internal controls over financial reporting could adversely affect the value of our securities.

Ineffective internal controls over our financial reporting have occurred in the past and may arise in the future. As a consequence, our investors could lose confidence in the reliability of our financial statements, which could result in a decrease in the value of our securities.

Risks Related to the Exchange Offer and the New Money Offering

Our debt obligations expose us to risks that could adversely affect our business, operating results and financial condition, and prevent us from fulfilling our obligations under the notes.

We have a substantial level of debt. As of March 31, 2007, we had approximately $91.3 million of indebtedness outstanding (including accrued interest). The level and nature of our indebtedness, among other things, could:

- make it difficult for us to make payments on our debt outstanding from time to time or to refinance it;
- make it difficult for us to obtain any necessary financing in the future for working capital, capital expenditures, debt service, acquisitions or general corporate purposes;

- limit our flexibility in planning for or reacting to changes in our business;

- reduce funds available for use in our operations, as we will be required to use a portion of our cash for the payment of any principal or interest due on our outstanding indebtedness;

- make us more vulnerable in the event of a downturn in our business;

- place us at a possible competitive disadvantage relative to less leveraged competitors and competitors that have better access to capital resources;

- increase the impact to us of negative changes in general economic and industry conditions, as compared to less leveraged competitors; or

- impair our ability to merge or otherwise effect the sale of the company due to the right of the holders of certain of our indebtedness to accelerate the maturity date of the indebtedness in the event of a change of control of the company.

If we do not grow our revenues, we could have difficulty making required payments on our indebtedness. If we are unable to generate sufficient cash flow or otherwise obtain funds necessary to make required payments, or if we fail to comply with the various requirements of our indebtedness, we would be in default, which would permit the holders of our indebtedness to accelerate the maturity of the indebtedness and could cause defaults under any indebtedness we may incur in the future. Any default under our indebtedness would have a material adverse effect on our business, operating results and financial condition.

General economic conditions, industry cycles and financial, business and other factors affecting our operations, many of which are beyond our control, may affect our future performance, which may affect our ability to make principal and interest payments on our indebtedness. If we cannot generate sufficient cash flow from operations in the future to service our debt, we may, among other things:

- seek additional financing in the debt or equity markets, and the documentation governing any future financing may contain covenants that limit or restrict our strategic, operating or financing activities;

- refinance or restructure all or a portion of our indebtedness;

- sell selected assets;

- reduce or delay planned capital expenditures; or

- reduce or delay planned research and development expenditures.

These measures might not be sufficient to enable us to service our indebtedness. In addition, any financing, refinancing or sale of assets might not be available, or available on economically favorable terms

The new notes will be effectively subordinated to any of our existing and future unsubordinated, secured indebtedness and are structurally subordinated to debt of our subsidiaries.

The new notes will be our general, unsubordinated, unsecured obligations. The new notes will be effectively subordinated to any existing and future secured indebtedness we may have. These liabilities may include, among other things, general indebtedness, trade payables, guarantees, lease obligations, and letter of credit obligations. Neither the new notes nor the existing notes restrict us from incurring secured debt in the future or having our subsidiaries guarantee our indebtedness, nor do they limit the amount of indebtedness we can issue that is equal in right of payment to the new notes. As of the date of this prospectus, we had no secured indebtedness outstanding.

Our subsidiaries are separate and distinct legal entities and they have no obligation to pay any amounts due under the notes or to make any funds available for that purpose, whether by dividends, distributions, loans or other payments. In addition, any payment of dividends, distributions, loans or advances by our subsidiaries to us could be subject to statutory or contractual restrictions. Payments to us by our subsidiaries will also be contingent upon our subsidiaries earnings and business considerations.

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Our right to receive any assets of any of our subsidiaries upon their liquidation or reorganization, and therefore the right of the holders of the new notes to participate in those assets, will be effectively subordinated to the claims of that subsidiary s creditors, including trade creditors. In addition, even if we were a creditor of any of our subsidiaries, our rights as a creditor would be subordinate to any security interest in the assets of our subsidiaries and any indebtedness of our subsidiaries senior to that held by us. As of March 31, 2007, our subsidiaries had approximately $7.5 million of liabilities and other indebtedness in the aggregate (excluding intercompany liabilities).

In addition, the holders of our existing notes have the right to require us to repurchase their existing notes on November 1, 2009, which is two years prior to the date on which the holders of our new notes have the right to require us to repurchase their new notes.

There is no market for the new notes, an active trading market for the new notes may not develop, and you may not be able to sell the new notes at a price acceptable to you.

There is no public market for the new notes and we do not intend to apply for listing of the new notes on any national exchange or quotation system. We cannot assure you of the liquidity of any markets that may develop for the new notes, your ability to sell the new notes or the price at which you may be able to sell the new notes. In addition, we do not know whether an active trading market will ever develop for the new notes. If a market for the new notes were to develop, the new notes could trade at prices that may be higher or lower than the principal amount or public offering price. Additionally, there is a risk that the liquidity of, and the trading market for, the new notes will be limited if few new notes are issued in connection with the exchange offer or the new money offering. If only a limited number of new notes are outstanding after the completion of the exchange offer and the new money offering, it may be more difficult for a market to develop in the new notes and any market that does develop may be less liquid than would be the case if more new notes were outstanding. The liquidity of the trading market for the new notes, if any, and the market price quoted for the new notes may be adversely affected by changes in interest rates for comparable securities, by changes in our financial performance or prospects and by declines in the price of our common stock, as well as by declines in the prices of securities, or the financial performance or prospects of similar companies.

If you do not exchange your existing notes, they may be difficult to resell and they will become junior in right of payment to the new notes.

To the extent any existing notes are tendered and accepted in the exchange offer, the trading market, if any, for the existing notes that remain outstanding after the exchange offer would be adversely affected because the market will be less liquid. In addition, the new notes will rank senior in right of payment to the existing notes. Therefore, in the event of any liquidation of the company, holders of the new notes will be entitled to payment in full before any amounts may be repaid to the holders of the existing notes

If you hold new notes, you will not be entitled to any rights with respect to our common stock, but you will be subject to all changes made with respect to our common stock.

If you hold new notes, you will not be entitled to any rights with respect to our common stock (including voting rights and rights to receive any dividends or other distributions on our common stock), but you will be subject to all changes affecting the common stock. You will have rights with respect to our common stock only if and when your notes are converted. For example, in the event that an amendment is proposed to our certificate of incorporation or by-laws requiring stockholder approval and the record date for determining the stockholders of record entitled to vote on the amendment occurs prior to delivery of the common stock to you, you will not be entitled to vote on the amendment, although you will nevertheless be subject to any changes in the powers, preferences or special rights of our common stock.

We may be unable to repay or repurchase the new notes or our other indebtedness.

At maturity, the entire outstanding principal amount of the new notes and existing notes will become due and payable. Prior to the initial date on which holders of our new notes may require us to purchase their notes, the holders of our existing notes may require us to purchase their notes. In addition, if a fundamental change, as defined under Description of New Notes Repurchase of the new notes at the option of holders upon a fundamental change, occurs, you may require us to repurchase all or a portion of your new notes. We may not have sufficient

funds or may be unable to arrange for additional financing to pay the repurchase price of the new notes or the principal amount due at maturity. Any future borrowing arrangements or debt agreements to which we become a party may contain restrictions on or prohibitions against our redemption or repurchase of the new notes. If we are prohibited from redeeming or repurchasing the new notes, we could try to obtain the consent of lenders under those arrangements, or we could attempt to refinance the borrowings that contain the restrictions. If we do not obtain the necessary consents or refinance the borrowings, we will be unable to repurchase the new notes. Such a failure would constitute an event of default under the new notes indenture which could, in turn, constitute a default under the terms of our other indebtedness.

The price of our common stock, and therefore the price of the new notes, may fluctuate significantly, which may make it difficult for holders to resell the new notes or the common stock issuable upon conversion of the new notes when desired or at attractive prices.

The market price of the new notes is expected to be affected significantly by the market price of our common stock. From January 1, 2006 until June 1, 2007, the per share closing price of our common stock ranged from $1.76 to $5.00 per share. During 2005, the per share closing price of our common stock ranged from $1.05 to $8.05 per share. The value of our common stock may decline regardless of our operating performance or prospects. The market price of our common stock is subject to significant fluctuations in response to the factors in this section and other factors, including:

- the success or failure of our product development efforts, especially those related to obtaining regulatory approvals domestically and internationally;
- the implementation of improved manufacturing processes;
- technological innovations developed by us or our competitors;
- variations in our operating results and the extent to which we achieve our key business targets;
- differences between our reported results and those expected by investors and securities analysts;
- market reaction to any acquisitions or joint ventures announced by us or our competitors;
- market reaction to our capitalization, cash reserves and utilization of cash; and
- developments with respect to the class and derivative action litigation of which we are currently defendants.

In addition, in recent years, the stock market in general, and the market for life sciences companies in particular, have experienced significant price and volume fluctuations. This volatility has affected the market prices of securities issued by many companies, often for reasons unrelated to their operating performance, and it may adversely affect the price of our common stock. In the past, securities class action litigation has often been instituted following periods of volatility in the market price of a company s securities. The current class and derivative action suits or a future securities class action suit against us could result in potential liabilities, substantial costs and the diversion of management s attention and resources, regardless of whether we win or lose.

These broad market fluctuations may adversely affect the price of our securities, regardless of our operating performance. Because the new notes are convertible into shares of our common stock, volatility of or depressed prices for our common stock could have a similar effect on the trading price of the new notes. A decline in our common stock price may cause the value of the new notes to decline. Holders who receive common stock upon conversion of the new notes also will be subject to the risk of volatility and depressed prices of our common stock.

We may issue additional equity securities and thereby materially and adversely affect the price of our common stock.

Sales of substantial amounts of shares of our common stock in the public market after this offering, or the perception that those sales may occur, could cause the market price of our common stock to decline. The new notes indenture does not restrict our ability to issue additional shares of common stock or other securities convertible into or exchangeable for our common stock. We have used and may continue to use our common stock or securities

convertible into or exchangeable for our common stock to acquire technology, product rights or businesses, or for other purposes. If we issue additional equity securities, the price of our common stock and, in turn, the price of the new notes may be materially and adversely affected.

Conversion of the notes will dilute the ownership interests of existing stockholders.

The conversion of some or all of the new notes will dilute the ownership interest of our existing stockholders. Any sales in the public market of the common stock issuable upon such conversion could adversely affect prevailing market prices of our common stock. In addition, the existence of the new notes may encourage short selling by market participants because the conversion of the new notes could depress the price of our common stock.

The new notes do not restrict our ability to incur additional debt or to take other actions that could negatively impact holders of the notes.

We are not restricted under the terms of the new notes from incurring additional indebtedness, including senior indebtedness or secured debt. In addition, the limited covenants applicable to the new notes do not restrict our ability to pay dividends, issue or repurchase stock or other securities or require us to achieve or maintain any minimum financial results relating to our financial position or results of operations. Our ability to recapitalize, incur additional debt and take a number of other actions that are not limited by the terms of the new notes could have the effect of diminishing our ability to make payments on the notes when due. In addition, the indenture for the new notes does not afford protection to holders of the notes in the event of a fundamental change except to the extent described under Description of New Notes Conversion rate adjustment on a fundamental change and Description of New Notes Repurchase of the new notes at the option of holders upon a fundamental change.

The conversion rate adjustment that may be made in connection with a transaction constituting a fundamental change may not adequately compensate you for the lost option time value of your new notes as a result of such fundamental change.

In connection with a fundamental change, we may be required to increase the conversion rate for the new notes surrendered for conversion. The conversion rate adjustment is described under Description of New Notes Conversion rate adjustment on a fundamental change. The conversion rate adjustment is designed to compensate you for the lost option time value of your notes as a result of certain fundamental changes; such increases are only an approximation of such lost value and may not adequately compensate you for such loss. In addition, even if a fundamental change occurs, in some cases there be no such conversion rate adjustment. See Description of New Notes Conversion rate adjustment on a fundamental change.

If we automatically convert the new notes, there is a risk of fluctuation in the price of our common stock from the date we elect automatically to convert the new notes to the automatic conversion date.

We may elect automatically to convert the new notes on or prior to maturity if the daily closing price of our common stock has exceeded 140% of the conversion price of the new notes then in effect for at least 20 trading days during any 30 consecutive trading day period ending within five trading days prior to the notice of automatic conversion. The automatic conversion price on the new notes is approximately $7.70, subject to adjustment. However, there is a risk of fluctuation in the price of our common stock between the time when we may first elect automatically to convert the new notes and the automatic conversion date. This period must be at least 20 days and not more than 30 days prior to the automatic conversion date. As a result of any such fluctuation in the price of our common stock, the aggregate conversion value you actually receive upon any automatic conversion of the new notes may be less than the principal amount of the new notes.

Our management will have considerable discretion as to the use of net proceeds to be received by us from the new money offering.

Our management will have significant discretion in the allocation of the majority of the net proceeds we will receive from the new money offering. You will not have the opportunity, as part of your investment decision, to assess whether proceeds are being used appropriately. You must rely on the judgments of our management regarding the application of these net proceeds. These net proceeds may be used for corporate purposes that do not improve

our profitability or increase the price of our common stock. The net proceeds from the new money offering may be placed in investments that do not produce income or that lose value.

Rating agencies may provide unsolicited ratings on the new notes that could cause the market value or liquidity of the new notes to decline.

We have not requested a rating of the new notes from any rating agency and believe it is unlikely that the new notes will be rated. However, if one or more rating agencies rates the new notes and assigns the notes a rating lower than the rating expected by investors, or reduces their rating in the future, the market price or liquidity of the new notes and our common stock could be harmed.

You should consider the U.S. federal income tax considerations of exchanging the existing notes for new notes and of owning the new notes.

We intend to take the position that the exchange of existing notes for new notes should qualify as a tax-free recapitalization for U.S. federal income tax purposes, but the Internal Revenue Service or a court instead may assert that it is a taxable exchange, which would result in the recognition by exchanging U.S. Holders of gain or loss with respect to the existing notes. See Certain U.S. Federal Income Tax Considerations U.S. Holders Treatment of Exchange Offer.

Under the indentures governing the new notes, we and each holder of a note agree to treat the new notes for U.S. federal income tax purposes as indebtedness that is subject to the Treasury regulations governing contingent payment debt instruments. Consequently, holders generally will be required to accrue interest income at a constant rate of % per year (subject to certain adjustments), compounded semiannually, which represents the estimated yield that we would pay on comparable non-contingent, non-convertible, fixed rate debt instruments with terms and conditions otherwise similar to the new notes. The amount of interest that you will be required to include in income for each year generally will be in excess of the stated interest payments on the new notes for that year.

You also will recognize gain or loss on the sale, exchange, conversion, redemption or repurchase of a new note in an amount equal to the difference between the amount realized, including the fair market value of any of our common stock received upon conversion, and your adjusted tax basis in the note. Any gain recognized by you on the sale, exchange, conversion, redemption or repurchase of a new note will be treated as ordinary interest income; any loss will be ordinary loss to the extent of interest previously included in income and thereafter will be treated as capital loss.

Although to date we have never paid cash dividends on our common stock, if in the future we pay a cash dividend on our common stock and there is a resulting adjustment to the conversion price, a note holder could be deemed to have received a taxable dividend subject to U.S. federal income tax without the receipt of any cash. Other adjustments in the conversion ratio (or failures to make such adjustments) that have the effect of increasing your proportionate interest in our assets or earnings may have the same result. Any such deemed dividends would be taxable as described in Certain U.S. Federal Income Tax Considerations. For a Non-U.S. Holder, such a deemed distribution generally will be subject to U.S. federal withholding tax requirements at a statutory rate of 30% or such lower rate as may be specified under the terms of an applicable income tax treaty between the United States and the non-U.S. Holder s country of residence. Such withholding tax may be set off against payments on the new notes.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Some of the information in this prospectus, or incorporated by reference into this prospectus, contains forward-looking statements within the meaning of the federal securities laws. You should not rely on forward-looking statements in this prospectus. Forward-looking statements typically are identified by use of terms such as anticipate, believe, plan, expect, future, intend, may, will, should, estimate, p continue, and similar words, although some forward-looking statements are expressed differently. This prospectus also contains forward-looking statements attributed to third parties relating to their estimates regarding the growth of our markets. 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. 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, treatment of restrictive scars and burns and other health-related markets;

- whether our clinical human trials relating to autologous cellular therapy applications 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;

- whether the results of our full Phase III pivotal study will support a successful BLA filing;

- our ability to provide and deliver any autologous cellular therapies that we may develop, on a basis that is competitive with other therapies, drugs and treatments that may be provided by our competitors;

- our ability to finance our business;