ISOLAGEN INC
Form S-1/A
October 24, 2003

AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON OCTOBER 24, 2003

REGISTRATION NO. 333-108769

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

PRE-EFFECTIVE AMENDMENT NO. 1 TO

FORM S-1
REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

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

DELAWARE	2834	87-0458888
(State or other jurisdiction)	(Primary Standard Industrial Code Number)	(I.R.S. Employer of incorporation or organization Identification Number)

2500 WILCREST, 5TH FLOOR
HOUSTON, TEXAS 77042
(713) 780-4754
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

JEFFREY W. TOMZ
CHIEF FINANCIAL OFFICER AND SECRETARY
ISOLAGEN, INC.
2500 WILCREST, 5TH FLOOR
HOUSTON, TEXAS 77042
(713) 780-4754
(Name, address, including zip code, and telephone number, including area code, of agent for service)

COPIES TO:
SUSAN STRANAHAN CIALLELLA, ESQ.
DILWORTH PAXSON LLP
3200 MELLON BANK CENTER
1735 MARKET STREET
PHILADELPHIA, PENNSYLVANIA 19103-7595
(215) 575-7075

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

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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, check the following box. [X]

If this form is being filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number in the earlier effective registration statement for the same offering. [ ]

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number in the earlier effective registration statement for the same offering. [ ]

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 in the earlier effective registration statement for the same offering. [ ]

If delivery of the Prospectus is expected to be made pursuant to Rule 434, check the following box. [ ]

CALCULATION OF REGISTRATION FEE

TITLE OF EACH CLASS OF SECURITIES TO BE REGISTERED	AMOUNT TO BE REGISTERED(1)	PROPOSED MAXIMUM OFFERING PRICE PER SHARE	PROPOSED MAXIMUM AGGREGATE OFFERING PRICE	AM REGI F
Common Stock	24,976,541	$ 9.10	$ 227,286,523	$1
TOTAL				$1

* Previously paid.

(1) This registration statement includes 23,890,872 shares of issued and outstanding Common Stock. The registration fee for those shares and the Shares of Common Stock underlying Common Stock Warrants is based on the closing market price for the Registrant's shares on September 11, 2003, pursuant to Rule 457(c) under the Securities Act of 1933, as amended (the

"Securities Act").

(2) Calculated at the rate of $80.90 per $1,000,000 pursuant to fee rate advisory #8 for fiscal year 2003. The registration fee is based on the closing market price for the Registrant's common stock on September 11, 2003, pursuant to Rule 457(c).

Pursuant to Rule 416 of the Securities Act of 1933, there are also being registered hereunder such additional shares as may be issued to the Selling Stockholders because of future dividends, stock distributions, stock splits, similar capital adjustments, or Penalty Shares. See "Shares Available for Future Sale, in Part I."

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 or until the registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

The information in this Prospectus is not complete and is subject to compliance or amendment. Neither Isolagen nor the Selling Holders nor the holders of Common Stock Warrants may sell these securities until the Registration Statement filed with the Securities and Exchange Commission (the "SEC") is effective. This Prospectus is not an offer to sell these securities and is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted. The information contained in this Prospectus is correct only as of the date of this Prospectus, regardless of the time of the delivery of this Prospectus or any sale of these securities.

SUBJECT TO COMPLETION DATED OCTOBER 24, 2003

PROSPECTUS DATED , 2003

ISOLAGEN, INC.

SECURITIES OFFERED FOR RESALE BY SELLING HOLDERS

23,890,872 Shares of Common Stock
and
1,085,669 Shares of Common Stock
Issuable Upon Exercise of Common Stock Warrants

This Prospectus relates to the Selling Holders' offer to sell 24,976,541 shares of our Common Stock that they hold and shares which were purchased in private transactions with us, and to the Selling Holders' offer to resell the shares of Common Stock issuable upon any exercise.

Our Common Stock is traded on the American Stock Exchange, L.L.C. ("AMEX") under the symbol "ILE." On October 20, 2003, the reported closing transaction price of our Common Stock was $8.14 per share. The address of our principal executive offices is 2500 Wilcrest, 5th Floor, Houston, Texas 77042, and our telephone number is (713) 780-4754.

INVESTING IN OUR COMMON STOCK INVOLVES A HIGH DEGREE OF RISK. You should consider carefully the "Risk Factors" of this Prospectus before purchasing any Common Stock. You should rely only on the information contained in this Prospectus. We have not authorized anyone to provide you with any different information.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED THESE SECURITIES OR DETERMINED WHETHER THIS PROSPECTUS IS TRUTHFUL OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

TABLE OF CONTENTS

Isolagen has not authorized anyone to give any information or make any representation about the offering that differs from, or adds to, the information in this Prospectus or the documents that are publicly filed with the SEC. Therefore, if anyone does give you different or additional information, you should not rely on it. The delivery of this Prospectus does not mean that there have not been any changes in Isolagen's condition since the date of this Prospectus. If you are in a jurisdiction where it is unlawful to offer to purchase or exercise the securities offered by this Prospectus, or if you are a person to whom it is unlawful to direct such activities, then the offer presented by this Prospectus does not extend to you. This Prospectus speaks only as of its date except where it indicates that another date applies. Documents that are incorporated by reference in this Prospectus speak only as of their date, except where they specify that other dates apply. The information in this Prospectus may not be complete and may be changed. The Selling Holders may sell until the registration statement filed with the SEC is effective. This Prospectus is not an offer to purchase or exercise these securities and it is not soliciting an offer to purchase or exercise these securities in any state where the purchase or exercise is not permitted.

PROSPECTUS SUMMARY

This summary presents selected information from this Prospectus and is qualified in its entirety by the more detailed information and financial statements appearing elsewhere in this Prospectus, including the information under "Risk Factors". You should carefully read this entire Prospectus and the documents to which the Prospectus refers in order to understand this offering. See "How to Obtain Additional Information."

ISOLAGEN, INC.

We are an emerging pharmaceutical bioscience company located in Houston, Texas that specializes in the development and commercialization of autologous cellular therapy for hard and soft tissue regeneration that has specific applications in cosmetic dermatology. We are also exploring applications for periodontal disease, reconstructive dentistry and other health-related markets. Autologous cellular therapy is a process whereby a patient's own cells are extracted, reproduced and then reintroduced to the patient for specific cosmetic and medical applications. Unlike other applications for the treatment of dermal defects, we utilize only the patient's unique, living cells to produce the patient's own collagen. There is no foreign substance utilized in this treatment protocol. We sometimes refer to our autologous cellular therapy as the Isolagen Process. We currently hold five patents relating to the Isolagen Process.

Our goal is to become the industry leader in the research, development and commercialization of autologous cellular therapy which stimulate a patient's own collagen production. We have commenced Phase III trials for dermal defects pursuant to an effective Investigational New Drug Application for the treatment of wrinkles and scars. We have also commenced a Phase II dose ranging study relating to the treatment of wrinkles and scars and a Phase I clinical trial for dental applications addressing gingival recession. See "Business."

We have commenced commercial operations in the United Kingdom and Australia, and are pursuing commercial operations through additional subsidiaries, joint ventures or license arrangements in South Korea, Hong Kong, Brazil and Mexico. We are investigating regulatory and other requirements in these countries and evaluating markets and potential joint venture partners and licensees. In July 2003, we received a license from the Therapeutic Goods

Administration ("TGA"), in Australia, to begin the manufacture of autologous fibroblasts including the initiation of primary cultures of fibroblasts, the propagation of fibroblasts, the harvesting of cultured fibroblasts, the storage of cultured fibroblasts and release for supply of cultured fibroblasts. Fibroblast cells are cells that make the structural fibers and ground substance of connective tissues; these cells produce collagen, reticular and elastic fibers found in the extracellular matrix or ground substance. We are not in a position to predict, when or if licenses will be granted in any other jurisdiction. To date, we have been primarily engaged in developing our initial product technology, recruiting personnel, commencing our United Kingdom operations and raising capital. In the course of our development activities, we have sustained losses and we expect such losses to continue through 2004. We plan to finance our operations primarily through existing cash, future financing and revenues. Our ability to operate profitably is largely contingent upon our success in obtaining further sources of debt and equity capital, prompt regulatory approval to sell our products in various jurisdictions and upon continued expansion. We will require additional capital in the future to expand our operations. No assurance can be given that we will be able to obtain any such additional capital, either through equity or debt financing, on satisfactory terms or at all. Additionally, no assurance can be given that any such financing, if obtained, will be adequate to meet our capital needs and to support our growth. If adequate capital cannot be obtained on satisfactory terms, our operations could be negatively impacted.

Our common stock, par value $0.001 per share ("Common Stock") is traded on AMEX under the symbol "ILE." The market for our stock has historically been characterized by low volume, and broad price and volume volatility.

Our website address is www.isolagen.com. The address and telephone number of our principal executive offices are:

Isolagen, Inc.
2500 Wilcrest, 5th Floor
Houston, Texas 77042
Telephone Number: (713) 780-4754

We currently conduct some of our operations through wholly owned-subsidiaries. Isolagen Technologies, Inc., a Delaware corporation, is our wholly-owned subsidiary ("Isolagen Technologies"). Isolagen Technologies is the parent company of Isolagen Europe Limited ("Isolagen Europe"), a company organized under the laws of the United Kingdom and wholly-owned subsidiary of Isolagen Technologies. Isolagen Technologies is also the parent company of Isolagen Technologies Pty Limited ("Isolagen Australia"), a company organized under the laws of the Australia and a wholly-owned subsidiary of Isolagen Technologies.

We were formed as a Delaware corporation in 1995. On August 10, 2001, our predecessor company, known as American Financial Holding, Inc. ("AFH"), acquired Isolagen Technologies through the merger of its wholly-owned subsidiary, Isolagen Acquisition Corp., and an affiliated entity, Gemini IX, Inc. ("Gemini"), with and into Isolagen Technologies (the "Merger"). As a result of the Merger, Isolagen Technologies became a wholly-owned subsidiary of the surviving entity which on November 13, 2001 changed its name to "Isolagen, Inc." Simultaneously with the Merger, the Company raised over $2,000,000 in equity, at $1.50 per share, in a private placement of Common Stock and converted $1,450,000 principal amount of its debt and approximately $625,000 of accrued liabilities to equity. The transaction was equivalent to Isolagen Technologies issuing stock

for the net assets of AFH and Gemini accompanied by a recapitalization. .

THE OFFERING BY THE SELLING HOLDERS

This Prospectus relates to the sale to the public of up to:

23,890,872 shares of our Common Stock issued to and held by the Selling Holders; and 1,085,669 shares issuable upon exercise of Common Stock Warrants held by certain Selling Holders including:

- Warrants issued to Fordham Financial Management, Inc. or designees in connection with the Company's Series A Convertible Preferred Stock Offering;

- Warrants issued to Fordham Financial Management, Inc. or designees in connection with the Company's Series B Convertible Preferred Stock Offering;

- Warrants issued to Equipmed Pty. Ltd. in connection with the Company's Australian distribution agreement; and

- Warrants issued to RCG Capital Markets Group, Inc. in connection with the Company's investor relations program.

These securities were issued between August 2001 and August 2003, and are "restricted securities" as that term is defined in Rule 144 adopted by the SEC under the Securities Act. ("Rule 144")

RISK FACTORS

An investment in the shares offered by this Prospectus involve a high degree of risk. In addition to the other information contained in this Prospectus, the following risk factors should be considered carefully in evaluating our business, making a decision to purchase the shares. You should carefully consider the risks described below before deciding to invest in or continue to hold our common stock. If any of the contingencies discussed in the following paragraphs or other materially adverse events actually occurs, the business, financial condition and results of operations could be materially and adversely affected. In such case, the trading price of our common stock could decline, and you could lose all or part of your investment. We have not authorized anyone to give you information or to make any representation other

than those contained in this Prospectus.

DILUTION.

The need to raise additional capital will expose existing shareholders to the risk of substantial dilution.

NEED TO RAISE SUBSTANTIAL ADDITIONAL CAPITAL.

Although we believe our current cash resources will be sufficient to fund our planned operations for the next 12 months, we will require substantial additional capital to meet our long-term needs. Subsequent to 12 months, we will require approximately $20 million of additional capital to bring our product to market in the United States and expand operations in the United Kingdom and Australia. This estimate assumes that no further testing requirements are imposed by the FDA, that FDA approval is forthcoming and that FDA approval is received during 2005. The FDA approval process is extremely complicated and is dependent upon our study protocols and the results of our studies. In the event that the FDA requires additional studies or requires changes in our study protocols or in the event that the results of the studies are not consistent with our expectations, the process will be more expensive and time consuming. Due to the vagaries of the FDA approval process we are unable to predict what the cost of obtaining approval will be if FDA approval is not forthcoming in 2005. We recently commenced operations, are suffering losses from operations, have limited capital resources, do not have access to a line of credit or other debt facility, and will be unable to sustain operations absent substantial infusions of capital. We are actively assessing various financing opportunities. There can be no assurance that we will be successful in raising the necessary capital; or that we will be able to raise capital on acceptable terms. Additionally, no assurance can be given that any such financing, if obtained, will be adequate to meet our ultimate capital needs and to support our growth. If adequate capital cannot be obtained on satisfactory terms, our operations could be materially and adversely impacted.

ABSENCE OF REVENUE.

Isolagen is a development stage company with a limited operating history and no significant revenues to date. Isolagen has not yet demonstrated its ability to generate significant revenue, and there is no assurance that we will produce any material revenues, or that we will ever operate on a profitable basis.

UNPREDICTABILITY OF OPERATING EXPENSES.

As a result of our limited operating history and because of the

emerging nature of the markets in which we will compete, our financial data is of limited value in planning future operating expenses. Our expense levels will be based in part on our expectations concerning future revenues. A significant portion of our revenue is anticipated to be derived from the Isolagen Process; however, the size and extent of such revenues are wholly dependent upon the choices and demand of individuals, which are difficult to forecast accurately. We may be unable to adjust our operations in a timely manner to compensate for any unexpected shortfall in revenues. Accordingly, a significant shortfall in demand for the Isolagen Process could have an immediate and material adverse effect on our business, results of operations and financial condition. Further, business development and marketing expenses may increase significantly as we expand our operations. To the extent that such expenses precede or are not rapidly followed by increased revenue, our business, results of operations and financial condition may be materially adversely affected.

FLUCTUATION OF OPERATING RESULTS.

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: the level of demand for the Isolagen Process and other services and products that we may develop; 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 customers; the amount and timing of capital expenditures and other costs relating to the expansion of our operations; government regulation and legal developments regarding the use of the Isolagen Process; and general economic conditions. As a strategic response to changes in the competitive environment, we may from time to time make certain pricing, service, technology or marketing decisions or business or technology acquisitions that could have a material adverse effect on our quarterly results. Due to all of these factors, our operating results may fall below the expectations of securities analysts, stockholders and investors in any future period.

ANTICIPATION OF FUTURE LOSSES AND NEGATIVE CASH FLOW, WHICH MAY LIMIT OR DELAY ABILITY TO BECOME PROFITABLE.

We expect to expend significant resources on consultants, technology, advertising, hiring of personnel and startup costs. As a result, we have incurred losses since our inception and expect to experience operating losses and negative cash flow for the foreseeable future. We anticipate that losses will continue to increase from current levels because we expect to incur additional costs and expenses related to brand development, consulting costs, laboratory development costs, FDA clinical trials, marketing and other promotional activities, the addition of customer service personnel, the continued development of our website, our computer network, and development of relationships with strategic business partners, including but not limited to doctors who might use the Isolagen's therapy. For the years ending December 31, 2002, 2001 and 2000, we incurred losses of $5.4 million, $1.7 million and $0.8 million, respectively. For the six months ended June 30, 2003, we incurred losses of $4.6 million. Since inception, we incurred losses of $14.3 million.

INABILITY TO REDUCE COSTS MAY LIMIT OR DELAY ABILITY TO BECOME PROFITABLE.

We anticipate that improved manufacturing practices will allow our laboratories to have significantly greater capacity and to reduce many of our variable costs. We also expect to incur additional costs and expenses related to brand development, consulting costs, laboratory development costs, FDA clinical trials, marketing and other promotional activities, the addition of customer service personnel, the continued development of our website, our computer network, and development of relationships with strategic business partners, including but not limited to doctors who might use the Isolagen's therapy. If we cannot improve our manufacturing processes and reduce our costs and expenses, we may continue to experience operating losses and negative cash flow. Moreover, the costs of obtaining regulatory approvals could be considerable and the failure to obtain or delays in obtaining such approvals could materially adversely affect our business performance and financial results. We have spent approximately $200,000 for regulatory approvals in the United Kingdom and Australia. Research and development costs are composed primarily of costs related to the Company's efforts to gain FDA approval for the Isolagen Process in the United States. These costs include those personnel and laboratory costs related to the current FDA trials and certain consulting costs. This project is still under development. The total cost of research and development as of June 30, 2003 is $5.0 million. As of June 30, 2003, we believe at a minimum it will cost $3 million to complete this project. That estimate assumes that no further testing requirements are imposed by the FDA, that FDA approval is forthcoming and that FDA approval is received during 2005. The FDA approval process is extremely complicated and is dependent upon our study protocols and the results of our studies. In the event that the FDA requires additional studies or requires changes in our study protocols or in the event that the results of the studies are not consistent with our expectations the process will be more expensive and time consuming. Due to the vagaries of the FDA approval process we are unable to predict what the cost of obtaining approval will be if FDA approval is not forthcoming in 2005. Failure to substantially reduce the cost per patient will have a material adverse effect on the results of Isolagen's operations and financial condition.

LIMITED PUBLIC TRADING MARKET FOR THE COMMON STOCK.

There is a limited public trading market for the Common Stock, and there is no assurance that any established public trading market will develop for any of the Company's securities. Without such an active or public trading market, there can be no assurance of any liquidity or resale value of the Common Stock. The Common Stock may be illiquid for indefinite periods of time.

VOLATILITY OF STOCK PRICE.

The market price of the Common Stock is likely to be highly volatile due to risks and uncertainties described in this Prospectus, as well as other factors, including sales of substantial amounts of our stock by existing stockholders and price and volume fluctuations in the stock market which do not relate to our operating performance. During 2001, our common stock traded from $0.05 to $7.00. During 2002, our common stock traded from $2.20 to $7.25. During the period from January 1, 2003 through October 20, 2003, our common stock traded from $4.10 to $10.85.

OUR COMMON STOCK IS VULNERABLE TO PRICING AND PURCHASING ACTIONS THAT ARE BEYOND OUR CONTROL AND, THEREFORE, PERSONS ACQUIRING OUR SHARES MAY BE UNABLE TO RESELL THEIR SHARES AT A PROFIT AS A RESULT OF THIS VOLATILITY.

The securities markets have from time to time experienced significant price and volume fluctuations that may be unrelated to the operating performance of particular companies. Announcements of delays in our testing, development or regulatory approval schedules, technological innovations or new products developed by us or our competitors and developments or disputes concerning patents or proprietary rights could have a significant and adverse impact on such market prices. Regulatory developments in the United States and foreign countries, economic and other external factors, all affect the market price of our securities. In addition, the realization of any of the risks described in these "Risk Factors" could have a significant and adverse impact on such market prices.

FUTURE SALES OF OUR COMMON STOCK MAY CAUSE OUR STOCK PRICE TO DECLINE.

Our stock price may decline by future sales of our shares or the perception that such sales may occur. As of October 24, 2003, approximately 23,890,872 shares of Common Stock held by existing stockholders constitute "restricted shares" as defined in Rule 144 under the Securities Act. The restricted shares may only be sold if they are registered under the Securities Act, or sold under Rule 144 promulgated under the Securities Act, or another exemption from registration under the Securities Act. Substantially all of the restricted shares of our common stock are either eligible for sale pursuant to Rule 144 or have been registered under the Securities Act for resale by the holders. We are unable to estimate the amount, timing, or nature of future sales of outstanding common stock. Sales of substantial amounts of our common stock in the public market may cause the stock's market price to decline. In addition, in connection with our August 2003 private placement, we are obligated to issue (and register the offer and sale of) additional shares of common stock. See "Shares Available for Future Sale".

THE DEVELOPMENT OF THE ISOLAGEN PROCESS AND ISOLAGEN'S OTHER PRODUCTS INVOLVES A LENGTHY AND COMPLEX PROCESS, AND WE MAY BE UNABLE TO COMMERCIALIZE THE ISOLAGEN PROCESS OR ANY OF OUR OTHER PROCESSES OR PRODUCTS CURRENTLY UNDER DEVELOPMENT.

Before we can commercialize the Isolagen Process or any other of our development-stage products or processes in the U.S., we will need to conduct substantial research and development; to undertake preclinical and clinical testing; and to pursue regulatory approvals, including but not limited to approval of our Investigational New Drug Application ("IND") for the Isolagen Process filed with the United States Food and Drug Administration ("FDA"). This process involves a high degree of risk and takes several years. Our process and product development efforts may fail for many reasons, including: failure of the process or product in preclinical studies; clinical trial data that is insufficient to support the safety or effectiveness of the process or product; or the failure to obtain the required regulatory approvals. Specifically, the

FDA may withhold approval of the IND for several years or reject the IND outright. For these and other reasons, we may not successfully commercialize the Isolagen Process or any of our other processes or products currently under development.

OBTAINING FDA AND OTHER REGULATORY APPROVALS IS TIME CONSUMING AND EXPENSIVE.

The process of obtaining FDA and other regulatory approvals is time consuming and expensive. Clinical trials are required and the marketing and manufacturing of our products and services are subject to rigorous testing procedures. We may not be able to obtain FDA approval or other regulatory approval to conduct clinical trials or to manufacture and market any of the products we develop, acquire or license. Moreover, the costs of obtaining approvals could be considerable and the failure to obtain or delays in obtaining an approval could significantly harm our business performance and financial results. Even if pre-marketing approval from the FDA is received, the FDA is authorized to impose post-marketing requirements such as: (i) testing and surveillance to monitor a product and its continued compliance with regulatory requirements; (ii) submitting products for inspection and, if any inspection reveals that the product is not in compliance, prohibiting the sale of all products; (iii) suspending manufacturing; and (iv) withdrawing marketing clearance. In their regulation of advertising, the FDA and Federal Trade Commission (the "FTC") from time to time issue correspondence alleging that some advertising or promotional practices are false, misleading or deceptive. The FDA has the power to impose a wide array of sanctions on companies for such advertising practices, and the receipt of correspondence from the FDA alleging these practices could result in any of the following: (i) incurring substantial expenses, including fines, penalties, legal fees and costs to comply with the

FDA's requirements; (ii) changes in the methods of marketing and selling products; (iii) taking FDA-mandated corrective action, which may include placing advertisements or sending letters to physicians, rescinding previous advertisements or promotions; and (iv) disruption in the distribution of products and loss of sales until compliance with the FDA's position is obtained.

WE ARE SUBJECT TO EXTENSIVE GOVERNMENTAL REGULATION.

Human healthcare products and services companies are subject to significant regulation by a number of national, state and local agencies in the U.S. The FDA has jurisdiction covering testing, manufacturing, safety, effectiveness, labeling, storage, record keeping, approval, advertising and promotion of our products. Failure to comply with applicable regulatory requirements could, among other things, result in: (i) fines; (ii) changes to advertising; (iii) suspensions of regulatory approvals of products; (iv) delays in product distribution, marketing and sale; and (iv) civil or criminal sanctions. Our products receive FDA review regarding their safety and effectiveness. However, the FDA is permitted to revisit and change its prior determinations. We cannot be sure that the FDA will not change its position with regard to the safety or effectiveness of our products. If the FDA's position changes, we may be required to change our labeling or cease to manufacture and market the challenged products. Even prior to any formal regulatory action, we could voluntarily decide to cease distribution and sale or recall any of our products if concerns about the safety or effectiveness develop.

REGULATIONS IN FOREIGN MARKETS.

We are also subject to a variety of other regulations in various foreign markets. We have commenced the sale and distribution of our therapy for the treatment of wrinkles and scars in the United Kingdom and will commence such

operations in Australia shortly. Our failure to comply, or assertions that we fail to comply, with these regulations could have a material adverse effect on our business in a particular market or in general. To the extent we decide to commence, expand operations or introduce additional products in additional countries, government regulations in those countries may prevent or delay entry into or expansion of operations in those markets. However, government regulations in both our domestic and international markets can delay or prevent the introduction, or require the reformulation or withdrawal, of some of our products.

OUR FOREIGN OPERATIONS ARE EXPOSED TO RISKS ASSOCIATED WITH FOREIGN REGULATIONS, EXCHANGE RATE FLUCTUATIONS, TRADE RESTRICTIONS AND POLITICAL, ECONOMIC AND SOCIAL INSTABILITY.

A foreign government may impose trade or foreign exchange restrictions or increased tariffs, which could adversely affect our operations. We are also exposed to risks associated with foreign currency fluctuations. Our operations in some markets also may be adversely affected by political, economic and social instability in foreign countries. As we continue to focus on expanding our existing international operations, these and other risks associated with international operations may increase. We are also subject 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, problems in collecting accounts receivable, potential adverse tax consequences, exchange rate fluctuations, increased risks of piracy, 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. Such limitations and interruptions could have a material adverse effect on our business, financial condition and results of operations. In addition, operations of our foreign subsidiaries are translated from local currency into U.S. dollars based on average monthly exchange rates. We currently do not hedge our foreign currency transactions and is therefore subject to the risk of changes in exchange rates.

TERRORIST ATTACKS OR ACTS OF WAR MAY SERIOUSLY HARM OUR BUSINESS.

Terrorist attacks or acts of war may cause damage or disruption to our operations, our employees, our facilities and our customers, which could significantly impact our revenues, costs and expenses, and financial condition. The terrorist attacks that took place in the United States on September 11, 2001 were unprecedented events that have created many economic and political uncertainties, some of which may materially adversely affect our business, results of operations, and financial condition. The potential for future terrorist attacks, the national and international responses to terrorist attacks, and other acts of war or hostility have created many economic and

political uncertainties, which could materially adversely affect our business, results of operations, and financial condition in ways that management currently cannot predict.

ANY MARKETABLE PROCESSES OR PRODUCTS THAT WE DEVELOP MAY NOT BE COMMERCIALLY SUCCESSFUL.

Even if we obtain regulatory approval for the Isolagen Process or any of our other development-stage processes or products in the U.S. and other countries, those processes or products may not be accepted by the market. A number of factors may affect the rate and level of market acceptance of the Isolagen Process or these processes or products, including: regulation by the

FDA and other government authorities; market acceptance by doctors and hospital administrators; the effectiveness of our sales force; the effectiveness of our production and marketing capabilities; the success of competitive products; and the availability and extent of reimbursement from third-party payers. If the Isolagen Process or any other processes or products developed by us fail to achieve market acceptance, our profitability and financial condition will suffer.

OUR COMPETITORS IN THE BIOTECHNOLOGY AND PHARMACEUTICAL INDUSTRIES MAY HAVE SUPERIOR PRODUCTS, MANUFACTURING CAPABILITIES OR MARKETING POSITION.

The human healthcare products and services industry is extremely competitive. Our competitors include major pharmaceutical companies and other 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 processes and products against those of our competitors. If our processes and products receive marketing approval but cannot compete effectively in the marketplace, our profitability and financial position will suffer.

DIFFICULTIES MANAGING GROWTH COULD ADVERSELY AFFECT OUR BUSINESS.

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

DEPENDENCE ON KEY OFFICERS AND EMPLOYEES.

The Company is dependent on the efforts of Frank DeLape (Chairman of the Board of Directors), William K. Boss, Jr. (Vice Chairman of the Board of Directors), Michael Macaluso, (Chief Executive Officer, President and Director), Jeffrey Tomz, (Chief Financial Officer and Secretary), Olga Marko (Senior Vice President and Director of Research), and Vaughan Clift, (Vice President of Operations). The loss of any of these officers or employees or our inability to recruit and train additional key service personnel in a timely manner, could materially and adversely affect our business and our future prospects. While no assurances can be given that our current management resources will enable us to succeed as planned, a loss of one or more of our current officers or key employees could severely and negatively impact our operations. No assurances can be given that we will not suffer the loss of key human resources for one reason or another. We have employment agreements with most of our officers, but some of our key management personnel are employed "at-will" and may elect to pursue other opportunities at any time. We have no present intention of obtaining key man life insurance on any of the executive officers or management. Given our early stage of development, we depend on our ability to attract, train and retain qualified personnel, specifically those with management, research & development, technical and product development skills. Competition for such personnel is intense. We have had no difficulty hiring and retaining the necessary management and personnel in the recent past. To the best of our knowledge, none of our key officers or employees plan to leave or retire in the near future.

NEED FOR ADDITIONAL PERSONNEL.

There can be no assurance that we will be able to attract, train or retain additional highly qualified technical and managerial personnel in the future, which could have a material adverse effect on the our business, financial condition and results of operations.

VOTING CONTROL BY THE OFFICERS AND DIRECTORS OF THE COMMON STOCK.

Our present executive officers, directors and controlling stockholders directly and beneficially hold 49.1% of the outstanding shares of Common Stock. Our officers, directors and controlling stockholders currently are, and in the foreseeable future will continue to be, in a position to control Isolagen by being able to nominate and elect a majority of our Board of Directors. The Board of Directors establishes corporate policies and has the sole authority to nominate and elect our officers to carry out those policies. Other stockholders therefore will have limited participation in our affairs.

ABSENCE OF CASH DIVIDENDS AND NO CASH DIVIDENDS ANTICIPATED.

The future payment of cash dividends on the Common Stock rests within the discretion of our Board of Directors and will depend, among other things, upon our earnings, our unencumbered cash, our capital requirements and our financial condition, as well as other relevant factors. We do not anticipate making any cash distributions on the Common Stock in the foreseeable future. Investors in our common stock cannot rely on dividend income.

NO ASSURANCE OF BRAND NAME AWARENESS.

Our brand name is new and unproven. If we are unable to effectively promote our brand and establish a leading position in the biotechnology marketplace, results of operation and financial condition will suffer. Our management believes 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 MAY FAIL TO PROTECT ADEQUATELY OUR PROPRIETARY TECHNOLOGY, WHICH WOULD ALLOW COMPETITORS TO TAKE ADVANTAGE OF OUR RESEARCH AND DEVELOPMENT EFFORTS.

Our long-term success largely depends on our ability to market technologically competitive processes and products. If we fail to obtain or maintain these protections we may not be able to prevent third parties from using our proprietary rights. Our currently pending or future patent applications may not result in issued patents. In the United States, patent applications are confidential until patents issue, and because third parties may have filed patent applications for technology covered by its pending patent applications without our being aware of those applications, our patent applications may not have priority over any patent applications of others. In addition, our issued patents may not contain claims sufficiently broad to protect us against third parties with similar technologies or products or

provide us with any competitive advantage. If a third party initiates litigation regarding our patents, and is successful, a court could revoke our patents or limit the scope of coverage for those patents.

The U.S. Patent and Trademark Office ("USPTO"), and the courts have not consistently treated the breadth of claims allowed in biotechnology patents. If the USPTO or the courts begin to allow broader claims, the incidence and cost of patent interference proceedings and the risk of infringement litigation will likely increase. On the other hand, if the USPTO or the courts begin to allow narrower claims, the value of our proprietary rights may be limited. Any changes in, or unexpected interpretations of, the patent laws may adversely affect our ability to enforce our patent position.

We also rely upon trade secrets, proprietary know-how and continuing technological innovation to remain competitive. We protect this information with reasonable security measures, including the use of confidentiality agreements with our employees, consultants and corporate collaborators. It is possible that these individuals will breach these agreements and that any remedies for a breach will be insufficient to allow us to recover our costs. Furthermore, our trade secrets, know-how and other technology may otherwise become known or be independently discovered by our competitors.

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 sue us, one of our subsidiaries or one of our strategic collaborators for infringing a third-party's patent rights. Likewise, we may need to resort to litigation to enforce our patent rights or to determine the scope and validity of third-party proprietary rights.

The cost to us of any litigation or other proceeding relating to intellectual property rights, even if resolved in our favor, could be substantial, and the litigation would divert management's efforts. 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 resources. If we do not prevail in this type of litigation, we or our strategic collaborators may be required to: pay monetary damages; stop commercial activities relating to the affected products or services; obtain a license in order to continue manufacturing or marketing the affected products or services; or compete in the market with a substantially similar product.

Uncertainties resulting from the initiation and continuation of any litigation could limit our ability to continue some of our operations. In addition, a court may require that we pay expenses or damages and litigation could disrupt our commercial activities.

WE MAY BE LIABLE FOR PRODUCT LIABILITY CLAIMS NOT COVERED BY INSURANCE.

Doctors who use our processes and products, including but not limited to the Isolagen Process, and patients who have been treated by the Isolagen Process or any other process or products may bring product liability claims against us or our subsidiaries. While we have taken, and continue to take, what we believe are appropriate precautions, we may be unable to avoid significant liability exposure. We intend to obtain and keep in force product liability insurance sufficient to protect us from claims; however, we may be unable to obtain insurance in the future, or we may be unable to do so on acceptable terms. Any additional insurance we obtain 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 and services; and injury to our reputation. At present, we believe we carry reasonably adequate insurance coverage against product liability claims.

IF WE ARE UNABLE TO KEEP UP WITH RAPID TECHNOLOGICAL CHANGES, OUR PROCESSES, PRODUCTS OR SERVICES MAY BECOME OBSOLETE.

The field of biotechnology 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 processes, products or services obsolete. If we cannot compete effectively in the marketplace, our potential for profitability and financial position will suffer.

ACQUISITIONS OF COMPANIES OR TECHNOLOGIES MAY RESULT IN DISRUPTIONS IN BUSINESS AND DIVERSION OF MANAGEMENT ATTENTION.

In the near future, we may 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. Management may be unable to maintain and improve upon the uniform standards, controls, procedures and policies if we fail in this integration. Acquisitions may cause disruptions in 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 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 stockholders' holdings. In addition, our profitability may suffer because of such acquisition-related costs or amortization 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 such acquisitions. We are not party to any agreements, written or oral, for the acquisition of any company, product or technology.

PROVISIONS IN OUR CHARTER DOCUMENTS COULD PREVENT OR FRUSTRATE SHAREHOLDERS' ATTEMPTS TO REPLACE OR REMOVE CURRENT MANAGEMENT.

Our Certificate of Incorporation, as amended, provides for staggered terms for the members of the Board of Directors. The Certificate provides that the Board of Directors shall be divided into three staggered classes, each such class to be as nearly as possible equal in number of directors to each other class. Each director shall serve a term of three years. At shareholders' meetings only those directors comprising one of the three classes shall have completed their term and be subject to re-election or replacement.

In addition, our Certificate of Incorporation authorizes the issuance of "blank check" preferred stock with such designations, rights, and

preferences, as may be determined by our Board of Directors. Accordingly, the Board of Directors may, without shareholder 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. "Blank check" preferred stock could also be issued to discourage, delay, or prevent a change in our control, although we do not currently intend to issue any additional series of our preferred stock.

Classifying the Board of Directors and the issuance of "blank check" preferred stock are traditional anti-takeover measures installed to present obstacles to takeovers. These provisions of our Certificate of Incorporation make it difficult for a majority shareholder to gain control of the Board of Directors and of the Company because, for instance, classification of the Board would delay the time within which a majority shareholder could obtain effective control of the Board. Such provisions may be beneficial to the Company's management and its Board in a hostile tender offer and may have an adverse impact on shareholders who may want to participate in such a tender offer, or who may want to replace the 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 PRODUCTS.

Our Bylaws provide for indemnification of officers and directors. We may be required 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 such officers and directors are involved by reason of being or having been an officer or director. 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 products, thereby affecting our ability to attain profitability. This could cause our stock price to drop.

A NOTE ABOUT FORWARD-LOOKING STATEMENTS

In our effort to make the information in this Prospectus more meaningful, this Prospectus contains both historical and forward-looking statements within the meaning of Section 27A of the Securities Act, Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and information relating to Isolagen that is based on management's exercise of business judgment as well as assumptions made by and information currently available to management. All statements other than statements of historical fact may be deemed to be forward-looking statements. Forward-looking statements frequently, but not always, use the words "anticipate," "believe," "estimate," "expect," and "intend" and words of similar import, to identify any forward-looking statements and may include statements concerning our strategies, goals and plans. You should not place undue reliance on these forward-looking statements. These statements reflect our current view of future events and are subject to certain risks and uncertainties as noted below. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, our actual results could differ materially from those anticipated in these forward-looking statements. Actual events, transactions and results may materially differ from the anticipated events, transactions or results described in such statements. The discovery and development of applications for autologous cellular therapy are subject to substantial risks and uncertainties. There can

be no assurance that our trials relating to autologous cellular therapy applications for the treatment of dermal defects or gingival recession can be conducted within the timeframe that we expect, that such trials will yield positive results, or that additional applications for the commercialization of autologous cellular therapy can be identified and advanced into human clinical trials. These and other factors, some of which are described below, could cause future results to differ materially from the expectations expressed in this report. Although we believe that our expectations are based on reasonable assumptions, we can give no assurance that our expectations will materialize. Many factors could cause

actual results to differ materially from our forward-looking statements. Several of these factors include, without limitation:

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

- whether our clinical human trials relating to autologous cellular therapy applications for the treatment of dermal defects or gingival recession can be conducted within the timeframe that we expect, whether such trials will yield positive results, or whether additional applications for the commercialization of autologous cellular therapy can be identified by us and advanced into human clinical trials;

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

- our ability to finance our business;

- our ability to maintain our current pricing model;

- our ability to decrease our cost of goods sold;

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

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

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

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

- continued availability of supplies at the current prices;

- no new entrance of competitive products in our markets;

- no adverse publicity related to our products or Isolagen itself;

- no adverse claims relating to our intellectual property;

- the adoption of new, or changes in, accounting principles; and/or legal proceedings;

- our ability to maintain compliance with the AMEX requirements for continued listing of our common stock;

- the costs inherent in complying with new laws and regulations applicable to public reporting companies, such as the Sarbanes-Oxley Act of 2002;

- our ability to integrate efficiently future acquisitions, if any;

- other new lines of business that the company may enter in the future; and

- other risks referenced from time to time elsewhere in this report and in our filings with the SEC.

These factors are not necessarily all of the important factors that could cause actual results of operations to differ materially from those expressed in the forward-looking statements in this Prospectus. Other unknown or unpredictable factors also could have material adverse effects on our future results. The forward-looking statements in this Prospectus are made only as of the date of this Prospectus and we do not have any obligation to publicly update any forward-looking statements to reflect subsequent events or circumstances. We cannot assure you that projected results will be achieved.

SELECTED CONSOLIDATED FINANCIAL DATA

Our selected historical consolidated financial information presented as of December 31, 1998, 1999, 2000, 2001 and 2002 and for each of the five years ended was derived from our audited consolidated financial statements. Our selected historical consolidated financial information presented as of June 30, 2002 and 2003 and for the six month periods ended June 30, 2002 and 2003 are unaudited. Operating results for the six months ended June 30, 2003 are not necessarily indicative of the results that may be expected for the year ending December 31, 2003. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for fair presentation have been included.

This information should be read in conjunction with the historical financial statements and related notes included herein, and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

	Six Months Ended June 30,	
	2003	2002
	(unaudited) (as restated)	(unaudited) (as restated)
Consolidated Statement of Operations Data:		
Revenues	$ 79,796	$ 2,518
License fees	--	40,000
Total revenues	79,796	42,518
Cost of sales	48,861	--
Gross profit	30,935	42,518

Selling, general and administrative expenses	3,523,056	1,474,109
Research and development	1,204,538	647,354
Operating loss	(4,696,659)	(2,078,945)
Other income (expense)		
Interest income	10,620	19,063
Other income	55,663	32,421
Loss on disposal of asset	--	--
Interest expense	--	--
Net loss	$ (4,630,376)	$ (2,027,461)
Deemed dividend associated with beneficial conversion of preferred stock	(1,244,880)	(9,594,052)
Preferred stock dividends	(411,189)	(94,906)
Net loss attributable to common stockholders	$ (6,286,445)	$ (11,716,419)
Per share information Net loss - basic and diluted	$ (.30)	$ (.13)
Deemed dividend associated with beneficial conversion of preferred stock	(.08)	(.63)
Preferred stock dividends	(.03)	(.01)
Net loss attributable to common stockholders	$ (.41)	$ (.77)
Shares outstanding	15,348,709	15,189,563

	For the Year Ended December 31,			
	2002	2001	2000	1999
	(as restated)	(as restated)	(as restated)	(as rest
Consolidated Statement of Operations Data:				
Revenues	$ 50,991	$ 25,482	$ 6,584	$ 12
License fees	40,000	80,000	40,000	
Total revenues	90,991	105,482	46,584	12
Cost of sales	35,133	17,891	10,846	8
Gross profit	55,858	87,591	35,738	3
Selling, general and administrative expenses	3,994,782	715,468	265,075	1,07
Research and development	1,735,244	933,907	463,304	18
Operating loss	(5,674,168)	(1,561,784)	(692,641)	(1,22

Other income (expense)				
Interest income	208,692	17	4,891	
Other income	32,421	--	--	
Loss on disposal of asset	--	(8,222)	--	
Interest expense	--	(82,015)	(119,326)	(8
Net loss	$ (5,433,055)	$ (1,652,004)	$ (807,076)	$ (1,30
Deemed dividend associated with beneficial conversion of preferred stock	(10,178,944)	--	--	
Preferred stock dividends	(502,661)	--	--	
Net loss attributable to common stockholders	$ (16,114,660)	$ (1,652,004)	$ (807,076)	$ (1,30
Per share information Net loss - basic and diluted	$ (.36)	$ (.14)	$ (.08)	$
Deemed dividend associated with beneficial conversion of preferred stock	(.67)	--	--	
Preferred stock dividends	(.03)	--	--	
Net loss attributable to common stockholders	$ (1.06)	$ (.14)	$ (.08)	$
Shares outstanding	15,205,554	12,206,106	10,364,054	10,19

12

	Six Months Ended June 30,	
	2003	2002
	(unaudited) (as restated)	(unaudited) (as restated)
Consolidated Balance Sheet Data		
Cash and cash equivalents	$ 3,292,242	$ 8,437,492
Working capital (deficit)	1,481,110	7,675,370
Total assets	7,502,690	8,705,253
Total liabilities	2,553,510	795,581
Total stockholders Equity (deficit)	4,949,180	7,909,672

	December 31,			
	2002	2001	2000	1999
	(as restated)	(as restated)		

Consolidated Balance Sheet Data				
Cash and cash equivalents	$ 4,244,640	$ 1,380,824	$ 2,574	$ 6
Working capital (deficit)	2,811,160	870,377	(1,435,834)	(65
Total assets	7,257,664	1,563,914	62,296	16
Total liabilities	2,050,734	511,514	2,290,763	1,59
Total stockholders Equity (deficit)	5,206,930	1,052,400	(2,228,467)	(1,42

MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION OR PLAN OF OPERATION

Certain statements contained herein are not based on historical facts, but are forward-looking statements that are based upon numerous assumptions about future conditions that could prove not to be accurate. "Forward looking statements" include statements regarding our expectations, hopes, intentions, or strategies regarding the future. Forward looking statements include: statements regarding future products or products or product development; statements regarding future selling, general and administrative costs and research and development spending, and our product development strategy; statements regarding future capital expenditures and financing requirements; and similar forward looking statements. Actual events, transactions and results may materially differ from the anticipated events, transactions or results described in such statements. Our ability to consummate such transactions and achieve such events or results is subject to numerous risks and uncertainties. Such risks and uncertainties include, but are not limited to, the existence of demand for and acceptance of our products and services, regulatory approvals and developments, economic conditions, the impact of competition and pricing, results of financing efforts and other factors affecting our business that are beyond our control.

Although we believe that our expectations are based on reasonable assumptions, we can give no assurance that our expectations will materialize. Many factors including those contained in "Risk Factors" could cause actual results to differ materially from our forward looking statements.

CRITICAL ACCOUNTING POLICIES.

The following discussion and analysis of financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in conformity with accounting principles generally accepted in the United States. The preparation of these financial statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues, expenses and related disclosures. On an on-going basis, we evaluate our estimates and assumptions, including but not limited to those related to the impairment of long-lived assets, reserves for doubtful accounts, revenue recognition and certain accrued liabilities. We base our estimates on historical experience and various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Revenue Recognition: We recognize revenue from product sales when goods are shipped and the risk of loss transfers to the customer. Revenue from licenses and other up-front fees are recognized on a ratable basis over the term of the respective agreement. Milestone payments are recognized upon successful completion of a performance milestone event. Any amounts received in advance of

performance are recorded as deferred revenue. We recognize revenue over the period the service is performed in accordance with SEC Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements" ("SAB 101"). SAB 101 requires that four basic criteria must be met before revenue can be recognized: (1) persuasive evidence of an arrangement exists, (2) delivery has occurred or services rendered, (3) the fee is fixed and determinable, and (4) collectibility is reasonably assured. We believe that all of these conditions are met at the time of

shipment. Currently, three injections are recommended, although the decision to utilize one, two or three injections is between the attending physician and his/her patient. The amount invoiced is fixed and determinable and only varies among customers depending upon the number of injections requested. There is no performance provision under any arrangement with any doctor and there is no right to refund, or returns for unused injections.

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

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

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

In December 2002, the FASB issued SFAS No. 148, Accounting for Stock-Based Compensation-Transition and Disclosure. This statement provides guidance for those companies wishing to voluntarily change to the fair value based method of accounting for stock-based compensation. The statement also amends the disclosure requirements of Statement 123, requiring prominent

disclosure in annual and interim financial statements regarding a company's method for accounting for stock-based employee compensation and the effect of the method on reported results. While Isolagen continues to utilize the disclosure-only provisions of Statement 123, we have modified our disclosures to comply with the new statement.

RESULTS OF OPERATIONS - COMPARISON OF THE SIX MONTHS ENDING JUNE 30, 2003 AND 2002.

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

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

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

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

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Selling, general and administrative expenses increased 139%, or $2,048,947, to $3,523,056 for the six months ended June 30, 2003 compared to $1,474,109 for the six months ended June 30, 2002. The major components of the approximately $2.0 million increase in selling, general and administrative expense are as follows: a) consulting expense increased by approximately $0.1 million to $0.6 million for the six months ended June 30, 2003 compared to $0.5 million for the six months ended June 30, 2002; b) salaries increased by approximately $0.3 million to $0.5 million for the six months ended June 30, 2003 compared to $0.2 million for the six months ended June 30, 2002 (these amounts include an imputed expense of $200,000 in each period relating to the fair market value of services provided by certain officers by which they were not compensated); c) travel expense increased by approximately $0.3 million to $0.4 million for the six months ended June 30, 2003 compared to $0.1 million for the six months ended June 30, 2002;

d) legal expense increased by approximately $0.1 million to $0.3 million for the six months ended June 30, 2003 compared to $0.2 million for the six months ended June 30, 2002; e) promotional expense increased by approximately $0.2 million to $0.3 million for the six months ended June 30, 2003 compared to $0.1 million for the six months ended June 30, 2002; and f) depreciation and amortization increased by approximately $0.4 million to $0.4 million for the six months ended June 30, 2003 compared to $0.0 million for the six months ended June 30, 2002. The increase in selling, general and administrative expenses is attributed primarily to: a) higher salaries expense due to an increase in the number of employees; b) increased travel expenses related to our expansion into the United Kingdom and Australia; c) higher legal fees related to patent and business development issues; d) increased marketing and promotion efforts related to the commencement of operations in the United Kingdom; and e) depreciation and amortization of assets placed into service during 2003 with the commencement of operations in the United Kingdom and the completion of the U.S laboratory.

RESEARCH AND DEVELOPMENT. Research and development expenses increased by approximately $0.6 million during the six months ended June 30, 2003 to $1.2 million as compared to $0.6 million for the same period of 2002. Research and development costs are composed primarily of costs related to the Company's efforts to gain FDA approval for the Isolagen Process in the United States. These costs include those personnel and laboratory costs related to the current FDA trials and certain consulting costs. This project is still under development. The total cost of research and development as of June 30, 2003 is $5.0 million. As of June 30, 2003, we believe at a minimum it will cost $3 million to complete this project. That estimate assumes that no further testing requirements are imposed by the FDA, that FDA approval is forthcoming and that FDA approval is received during 2005. The FDA approval process is extremely complicated and is dependent upon our study protocols and the results of our studies. In the event that the FDA requires additional studies or requires changes in our study protocols or in the event that the results of the studies are not consistent with our expectations the process will be more expensive and time consuming. Due to the vagaries of the FDA approval process we are unable to predict what the cost of obtaining approval will be if FDA approval is not forthcoming in 2005. The Company has other research projects currently underway, including those related to repairing damaged nerves and therapies to regrow hair and to heal burned skin. However, research and development costs related to these projects were not material during the 2003 or 2002 periods. The major components of the approximately $0.6 million increase in research and development expense are as follows: a) salaries increased by approximately $0.4 million to $0.7 million for the six months ended June 30, 2003 compared to $0.3 million for the six months ended June 30, 2002; and b) laboratory expense increased by approximately $0.1 million to $0.2 million for the six months ended June 30, 2003 compared to $0.1 million for the six months ended June 30, 2002.

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

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

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

RESULTS OF OPERATIONS - COMPARISON OF THE THREE MONTHS ENDING JUNE 30, 2003 AND 2002.

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

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

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

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Selling, general and administrative expenses increased 101%, or $936,969, to $1,862,566 for the three months ended June 30, 2003 compared to $925,597 for the three months ended June 30, 2002. The major components of the approximately $1.0 million increase in selling, general and administrative expense are as follows: a) consulting expense decreased by approximately $0.1 million to $0.3 million for the three months ended June 30, 2003 compared to $0.4 million for the three months ended June 30, 2002; b) salaries increased by approximately $0.2 million to $0.3 million for the three months ended June 30, 2003 compared to $0.1 million for the three months ended June 30, 2002 (these amounts include an imputed expense of $100,000 in each period relating to the fair market value of services provided by certain officers by which they were not compensated); c) travel expense increased by approximately $0.1 million to $0.2 million for the three months ended June 30, 2003 compared to $0.1 million for the three months ended June 30, 2002; d) legal expense increased by approximately $0.1 million to $0.2 million for the three months ended June 30, 2003 compared to $0.1 million for the three months ended June 30, 2002; e) promotional expense increased by approximately $0.1 million to $0.1 million for the three months ended June 30, 2003 compared to $0.0 million for the three months ended June 30, 2002; and f) depreciation and amortization increased by approximately $0.2 million to $0.2 million for the three months ended June 30, 2003 compared to $0.0 million for the three months ended June 30, 2002. The increase in selling, general and administrative expenses is attributed primarily to: a) higher salaries expense due to an increase in the number of employees; b) increased travel expenses related to our expansion into the United Kingdom and Australia; c) higher legal

fees related to patent and business development issues; d) increased marketing and promotion efforts related to the commencement of operations in the United Kingdom; and e) depreciation and amortization of assets placed into service during 2003 with the commencement of operations in the United Kingdom and the completion of the U.S laboratory.

RESEARCH AND DEVELOPMENT. Research and development expenses increased by approximately $0.2 million during the three months ended June 30, 2003 to $0.6 million as compared to $0.4 million for the same period of 2002. Research and development costs are composed primarily of costs related to the Company's efforts to gain FDA approval for the Isolagen Process in the United States. These costs include those personnel and

laboratory costs related to the current FDA trials and certain consulting costs. This project is still under development. The total cost of research and development as of June 30, 2003 is $5.0 million. As of June 30, 2003, we believe at a minimum it will cost $3 million to complete this project. That estimate assumes that no further testing requirements are imposed by the FDA, that FDA approval is forthcoming and that FDA approval is received during 2005. The FDA approval process is extremely complicated and is dependent upon our study protocols and the results of our studies. In the event that the FDA requires additional studies or requires changes in our study protocols or in the event that the results of the studies are not consistent with our expectations the process will be more expensive and time consuming. Due to the vagaries of the FDA approval process we are unable to predict what the cost of obtaining approval will be if FDA approval is not forthcoming in 2005. The Company has other research projects currently underway, including those related to repairing damaged nerves and therapies to regrow hair and to heal burned skin. However, research and development costs related to these projects were not material during the 2003 or 2002 periods. The major components of the approximately $0.2 million increase in research and development expense are as follows: a) salaries increased by approximately $0.1 million to $0.4 million for the three months ended June 30, 2003 compared to $0.3 million for the three months ended June 30, 2002; and b) laboratory expense increased by approximately $0.1 million to $0.1 million for the three months ended June 30, 2003 compared to $0.0 million for the three months ended June 30, 2002.

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

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

NET LOSS. Net loss for the three months ended June 30, 2003 was $2,441,275, as compared to a net loss of $1,280,923 for the three months ended June 30, 2002. This increase in net loss is attributed primarily to salaries, travel, consulting, legal, and promotional expenses. Net loss attributable to

common stockholders for the three months ended June 30, 2003 was $3,887,605, as compared to a net loss of $10,869,481 for the three months ended June 30, 2002. These amounts include $1.2 million and $9.6 million of deemed dividend associated with beneficial conversion of preferred stock for the three months ended June 30, 2003 and June 30, 2002, respectively. These amounts include $0.2 million and $0.1 million of preferred stock dividends for the three months ended June 30, 2003 and June 30, 2002, respectively.

LIQUIDITY AND CAPITAL RESOURCES - COMPARISON OF JUNE 30, 2003 WITH JUNE 30, 2002.

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

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

FINANCING ACTIVITIES. Cash provided by financing activities during the six months ended June 30, 2003, amounted to $4,011,478 consisting of $3,919,078 raised from the issuance of preferred stock and $92,400 raised from the issuance of common stock as compared to cash provided by financing activities of $8,778,762 during the six months ended June 30, 2002 which consisted entirely of proceeds from the issuance of preferred stock. In May 2003, the Company sold in a private offering 155,750 shares of Series B Convertible Preferred Stock, par value $0.001 per share, at an offering price of $28 per share. Each share of Series B preferred stock was convertible into 8 shares of common stock at any time after issuance and accrues dividends at 6% per annum payable in cash or additional shares of Series B Preferred Stock. After deducting the costs and expenses associated

with the sale, the Company received cash totaling $3,919,078. In conjunction with the private offering, the Company issued to the placement agent warrants to purchase 124,600 shares of common stock with an exercise price of $3.50 per share. The warrants are exercisable immediately after grant and expire five years thereafter. The fair value of the warrants granted to the placement agent, based on the Black-Scholes valuation model is estimated to be $2.77 per warrant. The value of the warrants granted has been offset from the proceeds received from the sale of the Series B Preferred Stock and recorded as additional paid in capital.

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

limited to the value of the proceeds received.

WORKING CAPITAL. As of June 30, 2003, we had a cash balance of $3,292,242. We do not have any credit facilities with which to fund ongoing working capital needs. Our long-term viability is dependent upon successful operation of our business and the ability to raise additional debt and equity. Subsequent to the completion of our August 2003 private placement, as of October 24, 2003, we had a cash balance of $18.2 million. See "Subsequent Equity Transactions" below. Our capital resources are adequate to finance our operations for the next twelve months. We will require substantial additional capital to continue our operations and to attain profitability, neither of which can be assessed. We are actively assessing various financing opportunities.

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

SUBSEQUENT EQUITY TRANSACTIONS.

In August 2003, we completed a private placement of 3,359,331 shares of our Common Stock to a group of predominately institutional investors at an offering price of $6.00 per share. We received net proceeds from that offering of $18,553,062. The offer and resale of the shares of Common Stock have been registered in the registration statement of which the Prospectus forms a part. In connection with this transaction, all of the Holders of the Series A and Series B Preferred Stock converted their preferred shares into common stock. We have a dividend obligation of $1,083,280 to the holders of Series A and Series B Preferred Stock who converted their preferred shares into common stock.

As of October 24, 2003, our cash balance is $18.2 million.

RESULTS OF OPERATIONS - COMPARISON OF FISCAL YEARS ENDING DECEMBER 31, 2002 AND 2001.

REVENUES. Revenues decreased 14% or $14,491, to $90,991 for the year ended December 31, 2002 ("Fiscal 2002") compared to $105,482 for the year ended December 31, 2001 ("Fiscal 2001"). The decrease in revenues is primarily attributable a decrease of $40,000 in license fees recognized in Fiscal 2002, partially offset by an increase of $48,473 relating to Isolagen Process revenue in the UK.

COST OF SALES. Costs of sales increased 96%, or $17,242, to $35,133 in Fiscal 2002, compared to $17,891 in Fiscal 2001. The increase in cost of sales is primarily related to the increase in revenues generated from the commencement of operations in the UK.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Selling, general and administrative expenses increased 458%, or $3,279,314 to $3,994,782 in Fiscal 2002, compared to $715,468 in Fiscal 2001. The major components of the approximately $3.3 million increase in selling, general and administrative expense are as follows: a) salaries increased by approximately $0.6 million to $0.7 million in Fiscal 2002 compared to $0.1 million in Fiscal 2001 (these amounts include an imputed expense of $400,000 in Fiscal 2002 and $155,556 in Fiscal 2001 relating to the fair market value of services provided by certain

officers by which they were not compensated); b) consulting expense increased by approximately $0.6 million to $0.7 million in Fiscal 2002 compared to $0.1 million in Fiscal 2001; c) travel expense increased by approximately $0.3 million to $0.4 million in Fiscal 2002 compared to $0.1 million in Fiscal 2001; d) legal expense increased by

approximately $0.2 million to $0.3 million in Fiscal 2002 compared to $0.1 million in Fiscal 2001; e) promotional expense increased by approximately $0.2 million to $0.2 million in Fiscal 2002 compared to $0.0 million in Fiscal 2001; and f) various other expenses, including rent, insurance and other office expense increased by approximately $1.0 million to $1.3 million in Fiscal 2002 compared to $0.3 million in Fiscal 2001. The increase in selling, general and administrative expenses is attributed primarily to: a) higher salaries due to an increase in the number of employees; b) increased travel expenses related to our expansion into the UK and Australia; c) higher legal fees related to patent and business development issues; d) increased marketing and promotion efforts related to the commencement of operations in the UK; and e) increase in office locations due to expansion into the United Kingdom and Australia.

RESEARCH AND DEVELOPMENT. Research and development expenses increased by $0.8 million during the twelve months ended December 31, 2002 to $1.7 million as compared to $0.9 million for the same period of 2001. Research and development costs are composed primarily of costs related to the Company's efforts to gain FDA approval for the Isolagen Process in the United States. These costs include those personnel and laboratory costs related to the current FDA trials and certain consulting costs. This project is still under development. The total cost of research and development as of December 31, 2002 is $3.8 million. As of December 31, 2002, we believe at a minimum it will cost $4.2 million to complete this project. That estimate assumes that no further testing requirements are imposed by the FDA, that FDA approval is forthcoming and that FDA approval is received during 2005. The FDA approval process is extremely complicated and is dependent upon our study protocols and the results of our studies. In the event that the FDA requires additional studies or requires changes in our study protocols or in the event that the results of the studies are not consistent with our expectations the process will be more expensive and time consuming. Due to the vagaries of the FDA approval process we are unable to predict what the cost of obtaining approval will be if FDA approval is not forthcoming in 2005. The Company has other research projects currently underway, including those related to repairing damaged nerves and therapies to regrow hair and to heal burned skin. However, research and development costs related to these projects were not material during the 2002 or 2001 periods. The major components of the approximately $0.8 million increase in research and development expense are as follows: a) consulting expense increased by approximately $0.1 million to $0.7 million in Fiscal 2002 compared to $0.6 million in Fiscal 2001. In Fiscal 2001, the Company incurred a non-cash consulting expense of $450,000 which represents the issuance of 300,000 common shares as payment for consulting services relating to a potential development of a dental product; b) salaries increased by approximately $0.5 million to $0.9 million in Fiscal 2002 compared to $0.4 million in Fiscal 2001; and c) laboratory expense increased by approximately $0.2 million to $0.2 million in Fiscal 2002 compared to $0.0 million in Fiscal 2001.

INTEREST EXPENSE. Interest expense decreased $82,015, to $0 in Fiscal 2002, compared to $82,015 in Fiscal 2001. The decrease results from conversion

of all of our convertible debt to equity in Fiscal 2001.

INTEREST INCOME. Interest income increased $208,675 to $208,692 in Fiscal 2002, compared to $17 in Fiscal 2001. The increase is primarily due to an increase in the amount of investable assets representing the net proceeds from the issuance of Series A Preferred Stock.

NET LOSS. Net loss in Fiscal 2002, was $5,433,055, as compared to a net loss of $1,652,004 in Fiscal 2001. This increase in net loss is attributed primarily to salaries, travel, consulting, legal, promotional expenses, and bonuses paid to key personnel. Net loss attributable to common stockholders in Fiscal 2002 was $16,114,660, as compared to a net loss of $1,652,004 in Fiscal 2001. These amounts include $10.2 million and $0.0 million of deemed dividend associated with beneficial conversion of preferred stock in Fiscal 2002 and Fiscal 2001, respectively. These amounts include $0.5 million and $0.0 million of preferred stock dividends in Fiscal 2002 and Fiscal 2001, respectively.

LIQUIDITY AND CAPITAL RESOURCES.

OPERATING ACTIVITIES. Cash used in operating activities during the year ended December 31, 2002, amounted to $3,968,013, as compared to the $664,203 of cash used in operating activities during fiscal 2001. The increase is attributed primarily to salaries, travel, consulting, legal, promotional expenses, bonuses paid to key personnel, write-off of deferred revenue, and increase in accounts payable.

INVESTING ACTIVITIES. Cash used by investing activities during Fiscal 2002, amounted to $2,252,368, as compared to cash provided by investing activities of $1,000 in Fiscal 2001. This increase in cash used is due to the purchase in Fiscal 2002 of property and equipment for the Houston, Texas, London, England, and Sydney, Australia laboratories.

FINANCING ACTIVITIES. Cash provided by financing activities increased to $9,070,322 in Fiscal 2002 from $2,041,453 in Fiscal 2001. During Fiscal 2002, we received net proceeds of $9,012,722 from the issuance of Series A Preferred Stock and $57,600 from sales of common stock. During Fiscal 2001, we received $2,060,000 from sales of Common Stock.

EQUITY TRANSACTIONS. In July 2002, we completed a private offering of 2,895,000 shares of Series A Convertible Preferred Stock, par value $0.001 per share, at an offering price of $3.50 per share. Each share of Series A Preferred Stock was convertible into two shares of common stock at any time after issuance and accrues dividends at 8% per annum payable in cash or additional shares of Series A Preferred Stock. In conjunction with the private offering, we issued to the placement agent warrants to purchase 1,158,000 shares of common stock with an exercise price of $1.93 per share. The warrants are exercisable immediately after grant and expire five years thereafter. The fair market of the warrants granted to the placement agent, based on the Black-Scholes valuation model, is estimated to be $1.57 per warrant, assuming the following: no dividend yield, a risk-free interest rate of 4%, an expanded term of the warrants of 2 years, and an expected volatility of 129%. The value of the warrants granted has been offset against the proceeds received from the sale of the Series A Preferred Stock.

During the year ended December 31, 2002, we issued an additional

143,507 shares of Series A Preferred Stock in lieu of cash for payment of dividends on the Series A Preferred Stock totaling $502,661. As of the date of this Prospectus, all shares of the Series A Convertible Preferred Stock issued in the private placement, together with the shares issued as a dividend thereon, have been converted into an aggregate of 6,089,855 shares of Common Stock.

The price of the preferred stock sold was $3.50 per share. The market value of the Company's common stock sold on the dates that the preferred stock sold or was issued as a dividend had a range of $2.30 - $5.40 per common share. In accordance with EITF 00-27 this created a beneficial conversion to the holders of the preferred stock and a deemed dividend to the preferred stockholders totaling $10,178,944 was recorded by the Company with a corresponding amount recorded as additional paid-in capital. The deemed dividend associated with the beneficial conversion is calculated as the difference between the fair value of the underlying common stock less the proceeds that have been received for the Series A Preferred Stock limited to the value of the proceeds received.

WORKING CAPITAL.

As of December 31, 2002, we had a cash balance of $4,244,640.

Inflation did not have a significant impact on the Company's results during the year ended December 31, 2002.

RESULTS OF OPERATIONS - COMPARISON OF FISCAL YEARS ENDING DECEMBER 31, 2001 AND 2000.

REVENUES. Revenues increased 126% or $58,858, to $105,482 for the year ended December 31, 2001, compared to $46,584 in fiscal 2000. The increase in revenues is primarily attributable to license fees earned for the entire year in 2001 and an increase in sales of Isolagen cream.

COST OF SALES. Costs of sales increased 65%, or $7,045, to $17,891 for the year ended December 31, 2001, compared to $10,846 in fiscal 2000. The increase in cost of sales is primarily related to the increase in sales of Isolagen cream.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Selling, general and administrative expenses increased 170%, or $450,393, to $715,468 in Fiscal 2001 compared to $265,075 in Fiscal 2000. The major components of the approximately $0.5 million increase in selling, general and administrative expense are as follows: a) salaries increased by approximately $0.2 million to $0.2 million in Fiscal 2001 compared to $0.0 million in Fiscal

2000 (this amount consists of $155,556 in Fiscal 2001 relating to the fair market value of services provided by certain officers by which they were not compensated); b) consulting expense increased by approximately $0.1 million to $0.1 million in Fiscal 2001 compared to $0.0 million in Fiscal 2000; and c) travel expense increased by approximately $0.1 million to $0.1 million in Fiscal 2001 compared to $0.0 million in Fiscal 2000 in connection with the Company

beginning the process of relocating the Company's corporate headquarter from Paramus, NJ to Houston, TX.

RESEARCH AND DEVELOPMENT. Research and development expenses increased by $0.5 million during the twelve months ended December 31, 2001 to $1.0 million as compared to $0.5 million for the same period of 2001. Research and development costs are composed primarily of costs related to the Company's efforts to gain FDA approval for the Isolagen Process in the United States. These costs include those personnel and laboratory costs related to the current FDA trials and certain consulting costs. This project is still under development. The total cost of research and development as of December 31, 2001 is $2.0 million. As of December 31, 2001, we believe at a minimum it will cost $5.1 million to complete this project. That estimate assumes that no further testing requirements are imposed by the FDA, that FDA approval is forthcoming and that FDA approval is received during 2005. The FDA approval process is extremely complicated and is dependent upon our study protocols and the results of our studies. In the event that the FDA requires additional studies or requires changes in our study protocols or in the event that the results of the studies are not consistent with our expectations the process will be more expensive and time consuming. Due to the vagaries of the FDA approval process we are unable to predict what the cost of obtaining approval will be if FDA approval is not forthcoming in 2005. The Company has other research projects currently underway, including those related to repairing damaged nerves and therapies to regrow hair and to heal burned skin. However, research and development costs related to these projects were not material during the 2001 or 2000 periods. The major components of the approximately $0.5 million increase in research and development expense are as follows: a) consulting expense increased by approximately $0.5 million to $0.5 million in Fiscal 2001 compared to $0.0 million in Fiscal 2000. In Fiscal 2001, the Company incurred a non-cash consulting expense of $450,000 which represents the issuance of 300,000 common shares as payment for consulting services relating to a potential development of a dental product; and b) salaries decreased by approximately $0.1 million to $0.3 million in Fiscal 2001 compared to $0.4 million in Fiscal 2000.

INTEREST EXPENSE. Interest expense decreased 31%, or $37,311, to $82,015 for the year ended December 31, 2001, compared to $119,326 in fiscal 2000. The decrease is primarily attributable to convertible debt converting to equity in 2001.

NET LOSS. Net loss and Net loss attributable to common stockholders for the year ended December 31, 2001, was $1,652,004, as compared to a net loss of $807,076 for the year ended December 31, 2000. This increase in net loss is attributed primarily to increased consulting expenses.

LIQUIDITY AND CAPITAL RESOURCES.

OPERATING ACTIVITIES. Cash used in operating activities during the year ended December 31, 2001, amounted to $664,203, an increase of 155%, or $403,860 over the $260,343 of cash used in operating activities during fiscal 2000. The increase is primarily due to decreases in deferred revenue and an increase in accrued expenses.

INVESTING ACTIVITIES. Cash provided by investing activities during the year ended December 31, 2001, amounted to $1,000, as compared to $0 of cash provided by investing activities during fiscal 2000.

FINANCING ACTIVITIES. Isolagen has financed its operating and investing

activities primarily from the proceeds of private placements of its common stock. During the year December 31, 2001, the Company received $2,060,000 from cash sales of its common stock, an increase of $2,058,077, as compared to the $1,923 received from cash sales of common stock during fiscal 2000.

WORKING CAPITAL.

As of December 31, 2001, Isolagen, Inc. had a cash balance of $1,380,824.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to foreign currency exchange rates market risk. Market risk is the potential loss arising from adverse changes in market rates and prices, such as foreign currency exchange rates. We do not enter into derivatives or other financial instruments for trading or speculative purposes.

Substantially all of our revenues for the year ended December 31, 2002 were derived from operations in the UK. In addition, during 2003 we expect to commence operations in Australia. The results of operations and financial position of our foreign operations were principally measured in their respective currencies and translated into U.S. dollars. The effect of U.S. dollar/U.K pound foreign currency fluctuations in these countries is somewhat mitigated by the fact that expenses are generally incurred in the same currencies in which the revenue is generated. The reported income of these subsidiaries will be higher or lower depending on the weakening or strengthening of the U.S. dollar against the respective foreign currency. Additionally 32% of our assets at December 31, 2002 were based in our foreign operations and translated into U.S. dollars at the foreign currency exchange rate in effect as of the end of each accounting period, with the effect of such translation reflected as a separate component of consolidated shareholders' equity. Accordingly, our consolidated shareholders' equity will fluctuate depending on the weakening or strengthening of the U.S. dollar against the respective foreign currency.

SECURITIES OFFERED, THE SELLING HOLDERS AND THE PLAN OF DISTRIBUTION

This Prospectus includes the Selling Holders' securities and the securities that are underlying outstanding Common Stock Warrants. The securities being offered by the Selling Holders are described below:

THE SELLING HOLDERS. This Prospectus includes the securities that are being offered by the Selling Holders that were issued to them upon conversion of their Series A and Series B Convertible Preferred Stock, respectively. The Series A Convertible Preferred Stock was acquired in private placements made to accredited investors only between April and July 2002. The Series B Convertible Preferred Stock was acquired in private placements made to accredited investors only in May 2003. The securities that are being offered by the Selling Holders

that were issued upon conversion of the Series A and Series B Convertible Preferred Stock were issued in August, 2003. All of those shares of Series A and Series B Convertible Preferred Stock (as well as all in-kind dividends distributed with respect to the Series A Convertible Preferred Stock) have been converted into Common Stock. In addition, this Prospectus includes securities that are being offered by other Selling Holders that purchased common stock in the August 2003 private placement or who were issued securities in August 2001 as a result of negotiations between Isolagen and the Selling Holders completed in August 2001 relating to the Agreement and Plan of Merger by and among Isolagen Technologies and AFH:

- 23,890,872 shares of Common Stock which are already outstanding; and

- 1,085,669 shares of Common Stock issuable upon exercise of the Common Stock Warrants.

We have set forth in the following table information relative to the Selling Holders as of October 24, 2003. We calculated beneficial ownership based on SEC requirements, and the information we included regarding beneficial ownership is not necessarily indicative of beneficial ownership for any other purpose. Unless otherwise indicated below, each person identified in the table has sole voting and investment power with respect to all shares he, she, or it beneficially owns, subject to applicable community property laws. We have based the percentage calculated for each Selling Holder upon the sum of the "common stock" and "common stock issuable upon exercise of warrants" columns. We do not know when or in what amounts the Selling Holders may offer the shares described in this Prospectus for sale. The Selling Holders may decide not to sell all or any of the shares that this Prospectus covers. Selling Holders of 11,600,484 shares have entered into a lock-up agreement whereby such holders have agreed not to sell or otherwise transfer any shares of commons stock until 180 days from the date that the resale registration statement is declared effective by the SEC without the consent of Legg Mason Wood Walker Incorporated; provided, however, that shares of common stock may be sold as follows: (a) 25% of the common stock may be transferred commencing on the effective date of the resale registration statement; and (b) 25% of the common stock may be sold 90 days following the effective date of the resale registration statement. Selling Holders

of additional 8,931,057 shares have entered into a lock-up agreement whereby such holders have agreed not to sell or otherwise transfer any shares of common stock until April 26, 2003 without the consent of Fordham Financial Management, Inc. Because the Selling Holders may offer all or some of the shares pursuant to this offering, and because, except for the lock-up agreement referenced in this paragraph, there are currently no agreements, arrangements or understandings with respect to the sale of any of the shares that the Selling Holders will hold after completion of the offering, we cannot estimate the number of the shares that the Selling Holders will hold after completion of the offering. However, for purposes of this table, we have assumed that, after completion of the offering, the Selling Holders will hold none of the securities that this Prospectus covers.

NAME OF SELLING HOLDER	(a) COMMON STOCK AND (b) COMMON STOCK WARRANTS OWNED PRIOR TO THIS OFFERING (a)	(b)	COMMON STOCK INCLUDING SHARES UNDERLYING COMMON STOCK WARRANTS BEING OFFERED BY THE SELLING HOLDERS(1)	(a BEN OFFE BEN
Symmetry Capital Partners, L.P.(2)	20,630		20,630	
Symmetry Capital Qualified Partners, L.P.(2)	13,990		13,990	
Symmetry Capital Offshore Fund, LTD(2)	9,660		9,660	
Symmetry Parallax Partners, L.P.(2)	5,720		5,720	
SF Capital Partners Ltd.(2)	333,334		333,334	
Clarion Partners, L.P.(2)	16,667		16,667	
Clarion Offshore Fund, Ltd.(2)	16,667		16,667	
Dynamic Equity Hedge Fund(2)	16,666		16,666	
John D. Nardone(2)	16,666		16,666	
Birchwood Resources(2)	83,333		83,333	
Vertical Ventures Investments LLC(2)	83,333		83,333	
Paul E. Orrson(2) (22)	16,666		16,666	
Rawleigh H. Ralls(2)	50,000		50,000	
United Capital Management, Inc.(2)	58,333		58,333	
Hayman Partners, LP(2) (22)	30,000		30,000	
Agger Fund, LP(2)	3,665		3,665	
Agger Institutional Fund, LP(2)	21,335		21,335	
Perceptive Life Sciences Master Fund, Ltd.(2)	500,000		500,000	
John S. Lemak(2)	17,000		17,000	
Sandor Capital Master Fund, L.P.(2)	34,000		34,000	
Gryphon Master Fund, LP(2)	50,000		50,000	
Little Wing, L.P.(2)	65,650		65,650	
Tradewinds Fund Ltd.(2)	17,683		17,683	
Endeavor LP(2)	6,500		6,500	
First American Insurance Small Cap Growth Fund(2)	4,630		4,630	
John J. Frautschi Life Trust(2)	35,780		35,780	
First American Small Cap Growth Opportunities(2)	695,983		695,983	
Lyndhurst Associates(2)	11,290		11,290	
Greater Milwaukee Foundation MC(2)	11,210		11,210	
Oregon Retail Employees Pension Trust(2)	18,010		18,010	
Henry Posner III Agency(2)	2,950		2,950	
Posner Partners Microcap(2)	12,610		12,610	
Paul M. Posner Agency(2)	3,330		3,330	
St. Paul Electrical Construction Pension SC(2)	5,950		5,950	
St. Paul Electrical Construction Supply SC(2)	6,800		6,800	
E.S. Tallmadge Residuary Trust 2(2)	2,370		2,370	
Richard D. Waterfield SC(2)	4,080		4,080	
W.M. Chester - Chester Children SC(2)	1,430		1,430	

Milwaukee Jewish Federation(2)	10,410	10,410
U.S. Bank, N.A., FBO Heartland Value Fund(2)	1,045,000	1,045,000
T.E. Staahl(3)	252,291	252,291
John J. Machado(3)	63,274	63,274
Geoffrey Adams(3)	31,637	31,637
Ian Michael White(3)	31,637	31,637
Ronald E. Furrow(3)	31,637	31,637
Robert F. Sagarino(3)	363,630	363,630

David P.A. Dundas(3)	15,818	15,818
Frank Discipio(3)	31,637	31,637
Jean Melki(3)	31,637	31,637
George Bingham(3)	15,818	15,818
Bruce P. Inglis(3)	31,637	31,637
Stanley Keith Klein IV(3)	31,637	31,637
Matthew John Milburn Thompson(3)	31,637	31,637
Ron Shelton, MD(3)	31,637	31,637
James Malcolm Sylph(3)	31,637	31,637
Jonathan Meyers(3)	31,637	31,637
Fred Meyers(3)	31,637	31,637
Fred Meyers, Money Purchase IRA(3)	31,637	31,637
Lindsey Meyers(3)	31,637	31,637
Mervyn Peter Childs(3)	15,818	15,818
Rees V. Bartlett(3)	15,818	15,818
Robert Soloway TTEE(3)	15,818	15,818
M.J. Derrick(3)	31,637	31,637
Andrew Fox(3)	31,637	31,637
Keith Stanley Parkins(3)	15,818	15,818
Richard Weatherly(3)	31,637	31,637
Gordon M. Burns(3)	63,044	63,044
R.S. Bushell(3)	15,818	15,818
Super-Tek, Inc.(3)	47,340	47,340
Nader Akhavan-Zanjani(3)	31,637	31,637
Susan Baquet(3)	15,818	15,818
Samuel D. Gaby, MD(3)	15,818	15,818
MRM Life Ltd.(3)	126,549	126,549
Dr. Ravi Kant Agarwal and Mrs. Vinita Agarwal(3)	31,637	31,637
CPCL Associates(3)	15,818	15,818
Anthony Mitra(3)	15,818	15,818
Neil Robert Harris(3)	157,772	157,772
Rees V. Bartlett(3)	15,818	15,818
David Forbes(3)	15,818	15,818
Bess Rhea Popp(3)	31,505	31,505
Agil Hypothek Ltd.(3)	31,505	31,505
T.A. Morgan(3)	31,455	31,455
John and Barbara Curcio(3)	15,752	15,752
Buechel Family Ltd. Partnership(3) (13)	1,575,287	1,575,287
BASR Partnership(3)	89,791	89,791
Michael Lusk(3)	15,752	15,752
Nicholas Frank Scholes(3)	31,505	31,505
Loannis Alexandridis(3)	31,407	31,407

Stephen A. Kepniss(3)	31,407	31,407
Ronald E. Furrow or Anna C. Furrow(3)	15,703	15,703
Samuel D. Gaby, M.D.(3)	15,703	15,703
Brian Cunningham & Cathy M. Cunningham(3)	15,703	15,703
Sung Soo Kim(3)	62,814	62,814
James M. Fenton(3)	31,407	31,407
Noboru Muto & Sumiko Muto(3)	62,814	62,814
Clive Maurice Beetlestone(3)	31,407	31,407
George Bingham(3)	15,703	15,703
John B. Ellor, Jr.(3)	15,703	15,703
Frank DiScipio(3)	31,407	31,407
Raymond Cincotti(3)	31,407	31,407
Buechel Patient Care, Research & Education Fund, Inc.(3) (13)	942,213	942,213
William Bongiorno(3)	31,407	31,407
Mark Freeman(3)	31,407	31,407
Kevin E. Brehmer Living Trust(3)	15,703	15,703
Walter Macor(3)	15,703	15,703
Joseph P. Santiamo MD(3)	15,611	15,611
The Silverburg Trust(3)	15,611	15,611
Reginald Patrick Joseph O'Neill(3)	15,611	15,611

Vincent Polito Jr.(3)	15,611	15,611
Munirali Haji(3)	31,223	31,223
Diderica M.A. Wiersema(3)	15,611	15,611
Hiroshi Kondo(3)	15,611	15,611
Michael James Lane(3)	62,446	62,446
Jeffrey C. Friedman(3)	62,446	62,446
Carol J. Kahn(3)	15,611	15,611
Takashi Sugiyama(3)	31,223	31,223
Haruhisa Tsuchitani(3)	31,223	31,223
Daniel M. Rochester(3)	31,223	31,223
Tim Zeller(3)	9,662	9,662
Robert Sagarino(3)	15,611	15,611
Robert Mazurek Money Purchase Plan(3)	15,611	15,611
Kevin E. Brehmer Living Trust(3)	15,611	15,611
Walid Younis Al-Ali(3)	93,557	93,557
Anthony R.M. Rowland(3)	15,555	15,555
David Cherry(3)	15,555	15,555
Victor Alvarez(4)	49,000	49,000
Dennis Cardino(4)	7,000	7,000
Lalji Premji Vekaria(4)	42,000	42,000
Alexis Family Limited Partnership(4)	42,000	42,000
Gordon M. Burns(4)	98,000	98,000
Alan Roger Zebedee(4)	14,000	14,000
Humphrey Johnson(4)	42,000	42,000
Kyoko Mori(4)	14,000	14,000
Bruce Gibbard(4)	14,000	14,000
Michael Botting(4)	7,000	7,000
Richard Shiring(4)	7,000	7,000

William Pratt(4)	14,000	14,000
Junko Morikawa(4)	7,000	7,000
Stephen M. Karlya(4)	14,000	14,000
Kyoko Kubota(4)	7,000	7,000
Daniel E. Bush(4)	7,000	7,000
David Cherry(4)	42,000	42,000
Alphonso Russ/Shirley Russ(4)	14,000	14,000
Richard J. Binnie(4)	7,000	7,000
Michael T. Munch(4)	7,000	7,000
Geoffrey Adams(4)	14,000	14,000
Kenneth James Logue(4)	7,000	7,000
Yoshiaki Sugiyama(4)	28,000	28,000
Morgan J. Wilbur III(4)	14,000	14,000
Stanley Keith Klein IV(4)	14,000	14,000
Makoto Akahane(4)	14,000	14,000
Steve Carothers(4)	14,000	14,000
Leybrand Investments Ltd.(4)	7,000	7,000
Donald W. Anderson(4)	7,000	7,000
Cell Share Consortium(4)	14,000	14,000
John Boulton(4)	7,000	7,000
Joe Murphy(4)	14,000	14,000
Paul Regent(4)	14,000	14,000
Alpha-Rowen Treatments, Ltd(4)	7,000	7,000
Anthony & Margaret Rowland(4)	7,000	7,000
Clive Howard Kennedy(4)	7,000	7,000
David Turner(4)	7,000	7,000
Peter John Edmonds(4)	14,000	14,000
Dennis George Bunning(4)	14,000	14,000
Kevin O'Brien(4)	7,000	7,000
Isamu Dekiya(4)	7,000	7,000
Christopher A. James(4)	7,000	7,000
Richard Barbiera(4)	14,000	14,000
Bernard Pallut(4)	21,000	21,000
Stuart Fitton(4)	7,000	7,000
James H. Atwell(4)	7,000	7,000
Peter Andrew Hilton(4)	7,000	7,000
Jonathan & Lisa Weatherly(4)	7,000	7,000
James W. Hulme(4)	7,000	7,000
Leonard Longo(4)	7,000	7,000

Robert Peter Simpson(4)	7,000	7,000
The Silverberg Trust(4)	7,000	7,000
Akira Edward Shimada(4)	14,000	14,000
Kevin & Elaine Reid(4)	7,000	7,000
Jes Johansen(4)	7,000	7,000
Robert M. Galley(4)	7,000	7,000
Perviz Aran(4)	42,000	42,000
David Forbes(4)	7,000	7,000
Simon Mordzynski(4)	7,000	7,000
Agil Hypothek, Ltd.(4)	14,000	14,000
John Durham(4)	14,000	14,000
Jiu Ping Zhang(4)	14,000	14,000
Christopher John Vickery(4)	7,000	7,000
John Gramegna(4)	7,000	7,000
David Olson(4)	7,000	7,000

Philip Marino(4)	14,000	14,000
Jack Edward Busselle(4)	14,000	14,000
Homewave Ltd.(4)	7,000	7,000
Patrick Frostad(4)	14,000	14,000
Neil Harris(4)	28,000	28,000
Peter Cook(4)	7,000	7,000
John L. Hardwick(4)	7,000	7,000
David R. Gust(4)	14,000	14,000
Arnold O. Boyle(4)	7,000	7,000
Michael J. Derrick(4)	7,000	7,000
Graham Ball(4)	14,000	14,000
M.J. Thomas(4)	7,000	7,000
Yasuo Hayashi(4)	7,000	7,000
Thomas Howard Martin(4)	7,000	7,000
Munirali Haji(4)	140,000	140,000
Peter Bourrelly(4)	7,000	7,000
Benchmark Equity Group, Inc.(5) (14)	1,355,000	1,355,000
William K. Boss, Jr.(5) (15)	1,614,055	1,614,055
Michael Avignon(5) (16)	775,734	775,734
Laura Lee Avignon(5) (17)	1,000,000	1,000,000
Michael Macaluso(5) (18)	775,734	775,734
Alyda Berryman Macaluso(5) (19)	1,000,000	1,000,000
Olga Marko(5) (20)	1,050,000	1,050,000
Jeffrey W. Tomz(5) (21)	227,200	227,200
Timothy J. Till(5)	1,133,334	1,133,334
Lighthouse Capital Insurance Co.(6)	600,000	600,000
Steve Schilling(6)	672,147	672,147
BASR Partnership(6)	346,667	346,667
Nicolas Elian(6)	214,999	214,999
Clifton Family Limited Partnership(6)	78,334	78,334
Henry A. Mentz III(6)	16,667	16,667
Wendell M. Wilson(6)	10,000	10,000
Stephen Hodson(6)	30,000	30,000
Helen Pal(6)	10,000	10,000
Trident III, LLC(6)	261,800	261,800
Pound Capital Corporation(6)	252,800	252,800
Founders Equity Group Inc.(6)	200,000	200,000
Dennis H McGill(6)	249,749	249,749
William R Peeples(6)	235,379	235,379
Frederick F. Buechel(6)	200,000	200,000
Theodore Staahl(6)	155,690	155,690
Seacrest Partners I Limited Part(6)	112,090	112,090
Pacgen Partners(6)	100,000	100,000
Robert E Tompkins(6)	100,000	100,000
William Adams(6)	90,331	90,331
YKA Partners Ltd(6)	88,631	88,631
Scott S Monroe(6)	80,000	80,000
Paula Fenton(6)	78,038	78,038
Gregory S Keller(6)	77,258	77,258
Foresight Capital Corporation(6)	56,017	56,017

Robert Mazurek(6)	53,593		53,593
Schalk Van Rensburg(6)	48,670		48,670
Foresight Bridge Strategies LP(6)	40,000		40,000
Sharyl Bancroft(6)	35,000		35,000
Henry A Mentz III(6)	33,334		33,334
S. Keith Klein IV(6)	26,667		26,667
Alan A. Robb(6)	23,300		23,300
Michael K Wilhelm(6)	21,681		21,681
Ion Pal(6)	20,000		20,000
Theodore M Staahl(6)	18,500		18,500
David Marko(6)	16,000		16,000
Richard M. Everhart, Jr.(6)	14,862		14,862
Rena D'Souza(6)	10,000		10,000
James Newman(6)	3,000		3,000
Adrienne Tande Riner(6)	850		850
Karen Farrell(7)		3,790	3,790
Joseph Ingarra(7)		69,480	69,480
Mio Lum(7)		5,790	5,790
Mac Lutz(7) (23)		11,580	11,580
Fred Meyers(7)		17,000	17,000
Robert Sagarino(7)		69,480	69,480
Vace Partners(7)		72,640	72,640
Eustace Conway(7)		11,580	11,580
Janzig Demirkan(7)		11,580	11,580
Fordham Holding Group(7) (11)(23)		79,524	79,524
Robert Sagarino(7) (23)		11,580	11,580
Carmine DeSantis, Jr.(7)		10,102	10,102
Charles Giordano, Sr.(7) (23)		50,000	50,000
Dean Kajouras(7) (23)		25,000	25,000
William Baquet(7)(11) (23)		286,943	286,943
Fordham Financial Management, Inc.(8) (11) (23)		124,600	124,600
Equipmed Pty. Ltd.(9)		150,000	150,000
RCG Capital Markets Group, Inc.(10)		75,000	75,000
TOTAL	23,890,872	1,085,669	24,976,541

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1. The Selling Holders are offering all of their shares of Common Stock and all of the shares of Common Stock underlying their Common Stock Warrants.

2. Issued in connection with the August 2003 Common Stock private placement.

3. Issued in connection with the July 2002 Series A Convertible Preferred Stock private placement.

4. Issued in connection with the May 2003 Series B Convertible Preferred Stock private placement.

5. Issued in connection with the August 2001 acquisition of Isolagen Technologies, Inc.

6. Primarily issued in connection with the August 2001 acquisition of Isolagen Technologies, Inc.

7. Common stock underlying warrants issued in connection with the July 2002 Series A Convertible Preferred Stock private placement.

8. Common stock underlying warrants issued in connection with the May 2003 Series B Convertible Preferred Stock private placement.

9. Common stock underlying warrants issued in connection with the April 2003 Equipmed Distribution Agreement.

10. Common stock underlying warrants issued in connection with the February 2003 RCG Capital Markets Group, Inc. Agreement.

11. These entities are under the common control of William Baquet.

12. For additional disclosure relating to relationships by and between certain of the Selling Holders, refer to the beneficial ownership table and notes thereto set forth in this Prospectus.

13. Dr. Frederick F. Buechel is a 5% beneficial shareholder.

14. Controlled by Frank DeLape who is Chairman of the Company.

15. Vice Chairman of the Company.

16. Director of the Company.

17. Wife of Michael Avignon.

18. Chief Executive Officer and President of the Company.

19. Wife of Michael Macaluso.

20. Senior Vice President and Director of Research of the Company.

21. Chief Financial Officer and Secretary of the Company.

22. Affiliated with Legg Mason Wood Walker, Inc., a broker dealer. This

selling shareholder purchased securities in the ordinary course of business, and at the time of purchase of the securities to be resold, the selling shareholder had no agreements or understandings, directly or indirectly, with any person to distribute the securities.

23. Affiliated with Fordham Financial Management, Inc., a broker dealer. This selling shareholder purchased securities in the ordinary course of business, and at the time of purchase of the securities to be resold, the selling shareholder had no agreements or understandings, directly or indirectly, with any person to distribute the securities.

PLAN OF DISTRIBUTION. The Selling Holders have advised us that they may, from time to time, offer and sell the shares included in this Prospectus; and that they may exercise their Common Stock Warrants, and offer and sell the underlying shares of Common Stock under this Prospectus. The term "Selling Holders" includes pledgees, donees, transferees or other successors in interest selling shares that they acquired after the date of this Prospectus from the Selling Holders as a pledge, gift or other non-sale related transfer. To the extent required, we may amend and supplement this Prospectus from time to time to describe a specific plan of distribution.

Each Selling Holder has advised us that he, she or it will act independently in making decisions with respect to the timing, manner, and size of each sale. Each Selling Holder has advised us that they may make these sales at prices and under terms then prevailing or at prices related to the then current market price. The Selling Holders have advised us that they may also make sales in negotiated transactions, including pursuant to one or more of the following methods:

- purchases by a broker-dealer as principal and resale by such broker-dealer for its own account pursuant to this Prospectus;
- ordinary brokerage transactions and transactions in which the broker solicits purchasers;
- block trades in which the broker-dealer will attempt to sell the shares as agent but may position and resell a portion of the block as principal to facilitate the transaction; and
- in privately negotiated transactions.

In connection with distributions of the shares or otherwise, the Selling Holders have advised us that each may:

- enter into hedging transactions with broker-dealers or other financial institutions, which may in turn engage in short sales of the shares in the course of hedging the positions they assume;
- sell the shares short and redeliver the shares to close out such short positions;
- enter into option or other transactions with broker-dealers or other financial institutions which require the delivery to

them of shares that this Prospectus offers, which they may in turn resell; and

- pledge shares to a broker-dealer or other financial institution, which, upon a default, they may in turn resell.

In addition, the Selling Holders may sell any shares that qualify for sale pursuant to Rule 144, rather than pursuant to this Prospectus.

In effecting sales, broker-dealers or agents that the Selling Holders engage may arrange for other broker-dealers to participate. Broker-dealers or agents may receive commissions, discounts or concessions from the Selling Holders, in amounts that the parties may negotiate immediately prior to the sale.

In offering shares that this Prospectus covers, the Selling Holders, and any broker-dealers and any other participating broker-dealers who execute sales for the Selling Holders, may qualify as "underwriters" within the meaning of the Securities Act in connection with these sales. Any profits that the Selling Holders realize, and the compensation that they pay to any broker-dealer, may qualify as underwriting discounts and commissions.

In order to comply with the securities laws of some states, the Selling Holders must sell the shares in those states only through registered or licensed brokers or dealers. In addition, in some states the Selling Holders must sell the shares only if we have registered or qualified those shares for sale in the applicable state or an exemption from the registration or qualification requirement is available and the Selling Holder complies with the exemption.

We have advised the Selling Holders that the anti-manipulation rules of Regulation M under the Exchange Act may apply to sales of shares in the market and to the activities of the Selling Holders and their affiliates. In addition, we will make copies of this Prospectus available to the Selling Holders for the purpose of satisfying the Prospectus delivery requirements of the Securities Act. The Selling Holders may indemnify any broker-dealer that participates in transactions involving the sale of the shares against liabilities, including liabilities arising under the Securities Act.

At the time a Selling Holder makes a particular offer of shares we will, if required, distribute a Prospectus supplement that will set forth:

- the number of shares that the Selling Holder is offering;

- the terms of the offering, including the name of any underwriter, dealer or agent;

- the purchase price paid by any underwriter;

- any discount, commission and other underwriter compensation;

- any discount, commission or concession allowed or reallowed or paid to any dealer; and

- the proposed selling price to the public.

We have agreed to indemnify certain of the Selling Holders against claims and losses due to material misstatements or omissions made by the Company (and not by the Selling Holders) in this Prospectus. Certain Selling Holders have agreed to indemnify us against claims and losses due to material misstatements or omissions made by them.

USE OF PROCEEDS

Isolagen will receive no proceeds from the sale by the Selling Holders shares of common stock.

BUSINESS

IN ORDER TO PROVIDE YOU WITH MEANINGFUL AND USEFUL INFORMATION, THIS PROSPECTUS CONTAINS CERTAIN "FORWARD-LOOKING STATEMENTS" (AS SUCH TERM IS DEFINED IN SECTION 21e OF THE EXCHANGE ACT). THESE STATEMENTS REFLECT OUR CURRENT EXPECTATIONS REGARDING OUR POSSIBLE FUTURE RESULTS OF OPERATIONS, PERFORMANCE, AND ACHIEVEMENTS. THESE FORWARD-LOOKING STATEMENTS ARE MADE PURSUANT TO THE SAFE HARBOR PROVISIONS OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995.

WHEREVER POSSIBLE, WE HAVE TRIED TO IDENTIFY THESE FORWARD-LOOKING STATEMENTS BY USING WORDS SUCH AS "ANTICIPATE," "BELIEVE," "ESTIMATE," "EXPECT," "PLAN," "INTEND," AND SIMILAR EXPRESSIONS. THESE STATEMENTS REFLECT OUR CURRENT BELIEFS AND ARE BASED ON INFORMATION CURRENTLY AVAILABLE TO US. ACCORDINGLY, THESE STATEMENTS ARE SUBJECT TO CERTAIN RISKS, UNCERTAINTIES, AND CONTINGENCIES, WHICH COULD CAUSE OUR ACTUAL RESULTS, PERFORMANCE, OR ACHIEVEMENTS TO DIFFER MATERIALLY FROM THOSE EXPRESSED IN, OR IMPLIED BY, SUCH STATEMENTS. WE HAVE DESCRIBED THESE RISKS, UNCERTAINTIES AND CONTINGENCIES UNDER "RISK FACTORS" AND "MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION OR PLAN OF OPERATION." WE HAVE NO OBLIGATION TO UPDATE OR REVISE ANY SUCH FORWARD-LOOKING STATEMENTS THAT MAY BE MADE TO REFLECT EVENTS OR CIRCUMSTANCES AFTER THE DATE OF THIS REPORT.

OVERVIEW

We are an emerging pharmaceutical bioscience company located in Houston, Texas that specializes in the development and commercialization of autologous cellular therapy for hard and soft tissue regeneration that has specific applications in cosmetic dermatology. We are also exploring applications for periodontal disease, reconstructive dentistry and other health-related markets. We currently holds five patents. Autologous cellular therapy is a process whereby a patient's own cells are extracted, reproduced and then reintroduced to the patient for specific cosmetic and medical applications. Unlike other applications for the treatment of dermal defects, we utilizes only the patient's unique, living cells to produce the patient's own collagen. There is no foreign substance utilized in this treatment protocol. We have commenced Phase III trials for dermal defects pursuant to an effective Investigational New Drug Application for the treatment of wrinkles and scars. We have also commenced a Phase II dose ranging study and a Phase I clinical trial for dental applications addressing gingival recession.

Our goal is to become the industry leader in the research, development and commercialization of autologous cellular therapy which stimulate a patient's own collagen production. We sometimes refer to our autologous cellular therapy as the Isolagen Process.

Autologous cells are a patient's own cells taken from a small skin sample. From such sample, millions of cells can be grown and then injected into the patient to correct and reduce the normal effects of aging like wrinkles, laugh lines, smokers lines, fine lines and all types of depressed scars. The procedure is minimally invasive and non-surgical. Currently, there are multiple competitive alternatives to reduce the signs of aging, but we believe they offer short term and often painful solutions. Their solutions often involve substitute

products or fillers, such as human cadaver or animal collagen or synthetic chemicals. A well known example is Botox, which uses diluted, liquid toxin to attain a correction through muscle paralysis.

In contrast, the Isolagen Process (as described in more detail below) is a self healing protein repair system that uses only the patient's own (autologous) cells. Since these cells belong only to the patient and house his or her own deoxyribonucleic acid ("DNA"), there is a reduced chance for rejection or allergic reaction. It is important to note that the cells are grown individually. There is no batch manufacturing and our Laboratory Information Management System ("LIMS") keeps the cells separate.

The Isolagen Process is designed to replenish deficiencies caused through the loss of fibroblast cells as the body ages. The body losses approximately 1%of the body's fibroblast cells per year. The fibroblast cell is the cell responsible for producing collagen, "the structural matrix," that supports the skin and also produces elastin. By the time a person is 40 years old, the average person's body has depleted approximately 40% of its fibroblast cells, thus causing dermal depressions and wrinkles. The Isolagen Process reduces dermal depressions and wrinkles by replenishing the area of deficiency with millions of the patient's own new living fibroblast cells. Within weeks after the injection, the millions of new fibroblast cells will produce new collagen and elastin and will help diminish wrinkles.

In the early 1990s, Olga Marko, currently Senior Vice President and Director of Research, was researching a way to identify autologous cellular systems ("ACS") which could stimulate a patient's own collagen production. Ms. Marko developed a process of extracting a patient's own cells (dermal fibroblasts), growing and expanding those cells in a controlled environment, and then re-introducing such cells into the skin of the patient's face, thereby stimulating the growth of the patient's collagen resulting in the repair of dermal defects (the "Isolagen Process"). With the support of William K. Boss, Jr., M.D., currently a director of the Company, a board certified plastic surgeon, Isolagen Technologies was formed on December 28, 1995 with the purpose of researching, marketing and commercializing the Isolagen Process for cosmetic applications.

In 1995, Dr. Boss began treating a small percentage of his patients with the Isolagen Process to correct defects (e.g., wrinkles, depressions and scarring) in the patient's face. Dr. Boss and Ms. Marko solicited the clinical support of Gregory Keller, M.D., Associate Chief of Head and Neck Plastic Surgery at the University of California at Los Angeles Medical School, and W. Gregory Chernoff, M.D., a plastic surgeon with practices in California and Indiana. Between 1995 and 1999, Drs. Boss, Keller and Chernoff, together with approximately 200 other doctors, utilized the Isolagen Process on approximately 963 patients with positive results. The use of the Isolagen Process on such patients provided evidence to Isolagen Technologies that the Isolagen Process could effectively grow and re-introduce a patient's own cells with beneficial results. Of the 963 patients treated with the Isolagen Process, totaling approximately 3,000 procedures, the participating physicians documented no significant adverse reactions. Although all these procedures were at least three (3) years ago and some as long as seven (7) years ago the majority of patients still report satisfaction with results of the procedures to their physicians. We believe that since the Isolagen Process involves a patient's own cells, the possibility of allergic reaction is reduced and the therapeutic correction appears to be long lasting with the patients experiencing gradual and continued improvement as a result of the natural activity of the patient's own re-introduced cell structure.

In 1997, the FDA began regulating the science of biologic products. Biologic products like ACS, in contrast to drugs that are chemically synthesized, are derived from living sources (such as humans, animals, and microorganisms). From 1995 to 1999, management of Isolagen Technologies believed that FDA approvals were not required for use of the Isolagen Process. In 1999, the FDA advised Isolagen Technologies that use of the Isolagen Process would require FDA approval, and Isolagen Technologies filed an investigational new drug application ("IND") covering the Isolagen Process with the FDA. An IND is a request for authorization from the FDA to administer an investigational drug or biologic product to humans. Such authorization must be secured prior to commercialization of any new drug or biological product. After its review of Isolagen Technologies' IND on December 9, 1999, the FDA placed the IND on clinical hold until the manufacturing processes and procedures of Isolagen Technologies were changed to meet these new standards, and FDA approval was obtained. The use of the Isolagen Process was discontinued after the FDA placed the IND on hold.

Earlier this year, we commenced a Phase III trial for dermal defects pursuant to an IND for the treatment of wrinkles and scars. The Phase III trial, being conducted in ten sites, involves physicians who are either plastic surgeons or dermatologists with practices that emphasize aesthetic procedures. The patients' enrollment has been completed and totals one hundred fifty-two patients. To date, over 90% of patients have had their first consultation. The first patients are scheduled to begin their injections in August 2003 with the final patient injection scheduled for the end of September 2003. This Phase III trial is a double-blind study with 75% of the patients receiving the therapeutic dosage and the remaining 25% receiving a placebo. In addition, in January of 2003, we commenced a double-blind Phase II trial under the IND, which is a two-site dose ranging study of forty patients. We have not completed our analysis of the data from the Phase II trial, but expect to do so during the fourth quarter of 2003. We have also commenced a Phase I clinical trial of twenty-one patients in progress for dental applications addressing gingival recession. We expect to complete this study in the first quarter of 2004.

While we are hopeful that we will receive FDA approval of our IND for the treatment of wrinkles and scars by the end of 2004, there can be no assurance that FDA approval will be forthcoming or when any such approval might be granted.

In August 2001, we formed Isolagen Europe Limited, our subsidiary organized under the law of the United Kingdom for the purpose of exploring the utilization of the Isolagen Process on patients located in the United Kingdom. Our management has made inquiry to the Medicines Control Agency with respect to our proposed use of the Isolagen Process in cosmetic applications in the United Kingdom. Based on the written responses received from the Medicines Control Agency, management believes that the proposed use of the Isolagen Process in cosmetic applications in the United Kingdom will not require regulatory approval. In August 2003, we received a license from the Therapeutic Goods Administration ("TGA") in Australia to begin the manufacture of autologous fibroblast cells including the initiation of primary cultures of fibroblasts, the propagation of fibroblasts, the harvesting of cultured fibroblasts, the storage of cultured fibroblasts and release for supply of cultured fibroblasts. Consequently, we are commencing commercialization in Australia as of the date of this Prospectus. We are also investigating commercialization in the following countries: South Korea, Hong Kong, Italy and Mexico. However, due to the unpredictability of regulatory approval in these countries, we can give no assurance that any of these countries will approve such use or the time period

for any such approval.

In September 2002, we opened our London cellular laboratory to serve the U. K. market, and the balance of the European market if required regulatory approvals are obtained. The new cellular facility, located at 59/61 Park Royal, London, NW10 7JJ, England began operations in the 4th quarter of 2002.

In August 2003, we opened our Australia cellular laboratory in the city of Sydney to serve the Australian market, and various markets in the Pacific Rim if required regulatory approvals are received. The new cellular facility, located at 2 Lincoln Street, Lane Cove, New South Wales, Australia, 2066, began operations in August 2003.

STRATEGY AND VISION

On August 10, 2001, the Company, then known as American Financial Holding, Inc., acquired Isolagen Technologies through the merger of its wholly-owned subsidiary, Isolagen Acquisition Corp., and an affiliated entity, Gemini IX, Inc., with and into Isolagen Technologies (the "Merger"). As a result of the Merger, Isolagen Technologies became a wholly-owned subsidiary of the Company. On November 13, 2001, the Company changed its name to Isolagen, Inc. Simultaneously with the Merger, the Company raised over $2,000,000 in equity, at $1.50 per share, in a private placement of Common Stock and converted $1,450,000 principal amount of Company debt and approximately $625,000 of accrued liabilities of the Company to equity.

Our goal is to become the industry leader in the research, development and commercialization of autologous cellular, although there can be no assurance that we will be successful. We are pursuing, through Isolagen Europe, commercial operations in the United Kingdom and, we are pursuing commercial operations through our subsidiaries, joint ventures or license arrangements in Australia. We are also assessing the commencement of operations in South Korea, Hong Kong, Brazil, and Mexico. We are investigating regulatory and other requirements in these countries and evaluating markets and potential joint venture partners and licensees. In the future, we will endeavor to increase and strengthen our market position in the following ways:

- Expanding and solidifying our relationship with the approximately 200 physicians who have used the Isolagen Process with their patients, as well as marketing our processes and products to other doctors (i.e., plastic surgeons, facial plastic surgeons, dermatologists and aestheticians).

- Continuing our current research into the science of autologous cellular therapy.

- Working with regulatory agencies, country by country, to attempt to obtain the approval of the Isolagen Process and our future products.

- Investigating foreign markets for the Isolagen Process and future products.

- Developing new applications for the Isolagen Process beyond cosmetic facial rejuvenation, such as dental applications.

- Designing and developing new laboratory facilities.

Our business plan is focused on the following major steps:

- ESTABLISHING AND FORMALIZING STRATEGIC PARTNERING RELATIONSHIPS. We are conducting discussions with potential strategic partners in the pharmaceutical and medical device industries for application-specific sales and distribution of our techniques and products. Our aim is to establish relationships with industry leaders, both domestic and international, which represent the broadest market appeal for our products and techniques.

- ACCELERATING CURRENT RESEARCH EFFORTS. The research capability that has produced the Isolagen Process could be applicable to other processes stimulated by our technology such as gum rejuvenation and other dental applications, urology, bone marrow and other pigment-related maladies.

- EXPANDING SALES, PRODUCTION AND ADMINISTRATIVE RESOURCES. Increased sales, research, and foreign affiliations will require more resources. We will seek to obtain these resources through third party relationships and increases to staff as necessary.

MARKET SIZE AND CHARACTERISTICS

The Isolagen Process of tissue regeneration is directed primarily at the dermatological and plastic surgery markets. According to the American Society of Plastic Surgeons ("ASPS") and the Plastic Surgery Educational Foundation ("PSEF"):

- 6.6 million people had cosmetic plastic surgery in 2002;

- Approximately 1.1 million Botox injections were performed in 2002;

- More than 4.9 million people had non-surgical cosmetic procedures in 2002;

- In 2002, 37% of all cosmetic plastic surgery patients were repeat patients.

ASPS and PSEF statistics represent patients having procedures performed by member surgeons certified by the American Board of Plastic Surgery as well as other physicians certified by the American Board of Medical Specialties.

FACIAL REJUVENATION

The first application of the Isolagen Process is for facial rejuvenation, which we intend to market as a "Natural Collagen Supplementation System." ("NCSS") The primary benefits of the NCSS are three-fold:

- Since this is an autologous system (exclusively using a patient's own cells), we believe there is a reduced possibility of allergic reaction as compared to bovine

collagen and non-natural fillers.

- The therapeutic correction received is lasting longer because the patient's immune system recognizes the injected cells as the patient's own and does not reabsorb or reject them as it does with foreign materials and proteins.

- Patients experience gradual and continued improvement as a result of the natural activity of the re-introduced cells.

These three benefits represent substantial advances in facial rejuvenation since the standard until now has been bovine collagen, a foreign protein derived from cows which, is generally fully reabsorbed by a patient's body within a few months after application, leaving the patient with no visible signs of correction. As additional treatments with bovine collagen are performed, there is a gradual build-up of the body's antibodies and the development of enzymes that compromise the treatment's effectiveness. Combined with the expense and the continued intrusiveness of ongoing treatments, the value and benefit of bovine collagen injections is diminished.

We believe that the benefits of the proposed NCSS counter the drawbacks to bovine collagen treatments, thereby extending the market potential for soft tissue regeneration to a broader population of patients. This broader population includes those who have tried and discontinued use of bovine collagen and those that never considered treatments due to potential drawbacks.

THE ISOLAGEN PROCESS IN DETAIL

First a 3 mm punch skin sample is obtained in the scalp area behind the patient's ear. This area is chosen because of its vascularity, lack of sun exposure and invisibility of any scar. The skin sample specimen is packed in a container provided by us and shipped overnight to our laboratory. The specimen is then cultured utilizing the Isolagen Process. This process separates the cell, called a fibroblast, from the rest of the tissue then multiplies these fibroblasts. Approximately six (6) weeks later, 1 ml is returned to the patient's doctor for an intradermal test in the patient. Two (2) weeks later, 1 to 1.5 ml of the patient's cells are also sent to the doctor for treatment. Additional amounts of 1 to 1.5 ml are available for re-injection every two (2) to three (3) weeks. A fibroblast culture from a patient may also be cryogenically stored by the patient for future use.

Fibroblasts stimulate collagen production. Fibroblasts have a finite lifespan and finite ability to repair damage. "Younger" fibroblasts are more effective than "older" fibroblasts from older or more photodamaged patients. The amount of correction a patient would see depends on a variety of factors, including the type of facial line, type of scar, age of the patient and the intrinsic ability of each patient's fibroblasts to create more collagen. Our product is the only product on the market that utilizes a patient's own cells or is autologous. There is no foreign substance utilized in our treatment. We are currently charging physicians approximately $1,800 for three injections. Alternative products include Zyderm/Zyplast, Hlyaform, Fibrel, Autologen, Demolagen Lypocytic Dermal Augmentation, Alloderm, Artecoll, Softform, Silicon Droplets, Botox, Ablative Lasers, Non-Ablative Lasers, Microdermabrasion and Chemical Peels. These products will cost in the range of $400 to $1,250 per procedure, and last in the range of three months to one year.

REGULATORY PROCESS AND CLINICAL TRIALS

Our technologies are subject to extensive government regulation principally by the FDA and state and local authorities in the United States and by comparable agencies in certain foreign countries. Products for human treatment are subject to rigorous pre-clinical and clinical testing procedures as a condition for approval by the FDA and by similar authorities in foreign countries. These regulations apply to the testing, manufacturing, labeling, storage, record keeping, approval, advertising and promotion of our products. The FDA does not apply a single regulatory scheme to human tissues and the products derived from human tissue. On a case-by-case basis, the FDA may choose to regulate such products as transplanted human tissue, medical devices or biologics. A fundamental difference in the treatment of products under these classifications is that the FDA generally permits human tissue for transplantation to be commercially distributed without premarket approval. In contract, products regulated as medical devices or biologics usually require such approval. The process of obtaining premarket approval for a biologic is often expensive, lengthy and uncertain. The steps required before a biologic may be marketed in the United States include (i) preclinical laboratory and testing, (ii) submission to the FDA of an IND application, which must become effective before clinical trials may commence, (iii) adequate and well-controlled clinical trials to establish the safety and efficacy of the drug, (iv) submission to the FDA of a New Drug Application ("NDA") and (v) FDA approval of the NDA prior to any commercial sale or shipment of the biologic. In addition to obtaining FDA approval for each product, each domestic drug-manufacturing establishment must be registered with, and approved by, the FDA.

In 1997, the FDA began regulating the science of biologics. Biologics, in contrast to drugs that are chemically synthesized, are derived from living sources (such as humans, animals, and microorganisms) like the Isolagen Process. For the regulation of biologics, the FDA imposes a special additional licensing requirement known as a Biologic License. The license imposes very specific requirements upon the facility and the manufacturing and marketing of licensed products to assure their safety, purity, and potency. Before conducting the required clinical testing of a biological product, an applicant must submit an IND to the FDA, containing preclinical data demonstrating the safety of the product for human investigational use, information about the manufacturing processes and procedures and the proposed clinical protocol. In 1999, Isolagen Technologies filed such an IND on the Isolagen Process with the FDA. Clinical trials of biological products typically are conducted in three sequential phases, but may overlap. Phase I trials test the product in a small number of health subjects, primarily to determine its safety and tolerance at one or more doses. In Phase II, in addition to safety, the efficacy, optimal dose and side effects of the product are evaluated in a patient population somewhat larger than the Phase I trials. Phase III involves further safety and efficacy testing on an expanded patient population at geographically dispersed test sites. All clinical studies must be conducted in accordance with FDA approved protocols and are subject to the approval and monitoring of one or more institutional review boards. In addition, clinical investigations must adhere to good clinical practices. Completion of all three phases of clinical studies may take several years and the FDA may temporarily or permanently suspend a clinical study at any time. Upon completion and analysis of clinical trials, the applicant assembles and submits a Biologic License Application containing, among other things, a complete description of the manufacturing process. Before the license can be granted, the applicant must also undergo a successful establishment inspection.

In 1995, when Isolagen Technologies began operations, the FDA had no regulations governing the area of biologics. New regulations were promulgated by the FDA in 1997. After reviewing the new regulations and seeking the advice of consultants, Isolagen Technologies concluded that the use of the Isolagen

Process in cosmetic applications did not require the approval of the FDA. The FDA disagreed. Isolagen Technologies filed an IND which was placed on clinical hold until our manufacturing processes and procedures were changed to meet these new standards, and FDA approval is obtained.

Prior to the Merger, Isolagen Technologies did not have the financial resources to complete the FDA process. Following the Merger, we provided such financing and in April 2002, the FDA released Isolagen Technologies' IND and clinical trial negotiations began. As a result, a 397 patient retrospective study has been completed. The results demonstrated both safety and efficacy as Phase II data. Using Isolagen Technologies recently completed cGMP laboratory facility in Houston, Texas, several studies are taking place. We have commenced a Phase III trail for dermal defects pursuant to an IND for the treatment of wrinkles and scars. The Phase III trial, being conducted in ten sites, involves physicians who are either plastic surgeons or dermatologists with practices that emphasize aesthetic procedures. The patients' enrollment has been completed and totals one hundred fifty-two patients. To date, over 90% of patients have had their first consultation. The first patients are scheduled to begin their injections in August 2003 with the final patient injection scheduled for the end of September 2003. This Phase III trial is a double-blind study with 75% of the patients receiving the therapeutic dosage and the remaining 25% receiving a placebo. In addition, in January of 2003, we commenced a double-blind Phase II trial under the IND, which is a two-site dose ranging study of forty patients. We expect to complete our analysis of the data from the Phase II trial during the fourth quarter of 2003. We have also commenced a Phase I clinical trial of twenty-one patients in progress for dental applications addressing gingival recession. We expect to complete this study in the first quarter of 2004.

While we are hopeful that we will receive FDA approval of our IND for the treatment of wrinkles and scars by the end of 2004, there can be no assurance that FDA approval will be forthcoming or when any such approval might be granted.

We have developed rigorous internal standards for testing and compiling the data necessary for our FDA filings. We conduct feasibility studies for all the medical conditions it proposes to treat prior to filing applications with the FDA for pivotal trials. This process has allowed us to submit more precise protocols to the FDA, clearly defining the clinical objectives that we wish to support in the pivotal trial phase.

INTERNATIONAL REGULATION

The regulation of our products, including the Isolagen Process, outside of the United States varies by country. Certain countries regulate human tissue products as a pharmaceutical product, which would require us to make extensive filings and obtain regulatory approvals before selling our products. Certain countries classify our products, including the Isolagen Process, as human tissue for transplantation but may restrict our import or sale. Other countries have no application regulations regarding the import or sale of products similar to our products, creating uncertainty as to what standards we may be required to meet. Management has made inquiry to the Medicines Control Agency with respect to our proposed use of the Isolagen Process in cosmetic applications in the United Kingdom. Based on the written responses received from the Medicines Control Agency, management believes that the proposed use of the Isolagen Process in cosmetic applications in the United Kingdom will not require regulatory approval. In August 2003, we received a license from the Therapeutic Goods Administration, the agency that regulates medical drugs and devices in Australia, to begin the manufacture of autologous fibroblasts including the

initiation of primary cultures of fibroblasts, the propagation of fibroblasts, the harvesting of cultured fibroblasts, the storage of cultured fibroblasts and release for supply of cultured fibroblasts. We expect to commence commercialization in Australia by the end of 2003. In addition, we are assessing commercialization in the following countries: South Korea, Hong Kong, Italy and Mexico. We believe that our products are not regulated as pharmaceutical products in South Korea, Hong Kong, Italy and Mexico, although there is substantial uncertainty regarding the regulation of our products under the laws of those foreign countries. However, due to the unpredictability of regulatory approval in these and other countries, we can give no assurance that we will receive any necessary regulatory approval for the sale of our products. Failure to comply with any country's regulatory requirements could result in material adverse consequences on the results of our operations. See "Risk Factors."

ISOLAGEN DENTAL PRODUCT

Papilla recession, also known as black triangle disease, is the number one cause of periodontal disease and there has been no effective treatment. In cases where the recession of the gum has progressed to an advanced stage, the accepted approach has been to take a graft from the palate, which creates in some cases, donor side defects and is extremely painful. This drastic and complex surgical procedure has provided varying results which are not fully embraced by periodontists due to the donor site morbidity associated with the taking of such a large piece of the palate. Papilla recession is the receding of the triangular piece of gum tissue between two teeth. We believe that fibroblasts from the oral cavity could stimulate collagen production in the mouth. If this premise is correct, the Isolagen Process could enhance the oral tissue which should result in the prevention of black triangle disease. The Isolagen Dental Product has been used in research and development in treating varying degrees of papilla recession; by injecting cells created through the Isolagen Process treats small areas of recession. In cases where the disease creates greater recession, Isolagen has developed a graft which entails applying the Isolagen Process technology to a matrix or carrier. In cases where teeth are removed, problems may develop such as dry socket or contracted sockets. These problems frequently require follow-up surgical procedures for correction and to prevent additional soft tissue problems. The traditional approach by oral surgeons has been to implant a cellular material to prevent these defects. The Isolagen Dental Product provides potential as a solution for this problem as well.

We have commenced a Phase I clinical trail of twenty-one patients for dental applications addressing gingival recession. We expect to complete this study in the first quarter of 2004. We are unable to determine what the outcome of this trial will be, whether or when the Isolagen Dental Process will prove to be medically effective or commercially viable, and whether or when FDA approval will be forthcoming.

COMPETITION

Tissue regeneration companies compete in the dermatology and plastic surgery markets with substantially different treatments. These include silicone injections, laser procedures, facial surgical procedures (e.g., facelifts and eyelid surgeries), fat injections, dermabrasion, collagen injections, and botulisum toxin injections. Indirect competition comes from facial care treatment products. Items catering to the growing demand for therapeutic skin care products are facial scrubs, anti-aging treatments, tonics, astringents and skin-restoration formulas. Patients who might consider using the Isolagen Process could also consider the following products (information included under

Key Points is provided by our management):

PRODUCT	DESCRIPTION	PRODUCT TYPE	KEY POINT
Zyderm/Zyplast (Inamed Aesthetics)	Collagen from cowhides of a closed herd	Collagen implant	Reabsorbs in 3 to 6 months in Allergic reaction in approx. Immediate esthetic effect. $400-$500 per treatment.
Hylaform (Biomatrix)	Crosslinked derivative of hyaluronan	Hyaluronan implant	Reabsorbs in approx. 1 year. $550 per injection, approx.
Fibrel (Mentor)	Collagen from pigs	Collagen implant	Difficult for physician to us with patients blood and speci Reabsorbs in 4 to 6 months. $400 per treatment.
Autologen (Collagenesis Corp)	Skin from patient	Collagen Implant	Requires large piece of skin each treatment. Reabsorbs in 6 to 12 months. $650-$850 treatment.
Dermolagen (Collagenesis Corp)	Skin from cadavers	Collagen Implant	Source of product limits mark significantly. Requires large piece of skin for each treatment. Reabsorbs in 6 to 12 months. $1,000 for three treatments.
Lypocytic Dermal Augmentation (manufactured by physician)	Fat from patient	Fat implant	Reabsorbs in 6 to 12 months; correction. Requires harvesting of fat, p reintroduction into treatment Subcutaneous atrophy requires microlipoinjection overlaid w dermal augmentation. Autologous nature avoids alle $550 to $1,250 per treatment.
Alloderm (Lifecell Corp)	Acellular human dermal graft	Allograft	Treats only deep depressions tissue). Dissolves in 1 to 3 years.

			Requires surgery to implant. Potential for complications h migration, scarring.
Artecoll (Rofil Medical)	Polymethylmethacrylate suspension with collagen	Artificial implant	Treats only deep depressions tissue). Non reversible; implant techn long lasting. Potential for complications h beading.

Softform (Collagen Corp)	Expanded polytetra-flouroetheylene	Artificial implant	Requires surgery to implant. Potential for complications: and malpositioning. Used only for subcutaneous ti
Silicone Droplets (Dow Corning)	Synthetic oil	Artificial implant	Controversy over safety of hu Potential for adulterated pro availability of non-medical g
Botox (Allergan)	Botulinum A exotoxin	Muscle paralysis	Effect reverses in 3 to 6 mon Physician technique very impo 2% to 3% of patients experien $450 to $750 per injection.
Ablative Lasers e.g. CO(2) & Erbium (Coherent or Luminesse)	Mechanical device	Tissue vaporization causing new tissue to form	Long healing period; open sor redness up to six months. Requires surgery and anesthes Potential for complications: scars, non-healing wounds.
Non-Ablative Lasers e.g. Nd 1032, Q Switched 1064 YAG (Coherent or Luminesse)	Mechanical device	Stimulated dermis to form collagen	Multiple treatments 4 to 6. Takes up to six months to rea
Microdermabrasion (Microdermex, Parisian Peel or Dermaglow)	Mechanical device	Tissue abridement causing new tissue to form	Minimal efficacy on scars and Good epidermal effect.

			Requires 6 to 10 treatments.
Chemical peels (TCA, Phenol chemicals are formulated by a pharmacist)	Carbolic acid, TCA, alpha hydroxy acids	Chemical tissue removal causing new tissue to form	Long healing period; open sor Redness up to six months. Laser applications are replac

We believe that many of our competitors have greater financial and other resources than do we. Although we are not aware of any similar products to the Isolagen Process that have received pre-market approval from the FDA, there may be other companies having greater financial resources than we do that are developing or may develop similar products in the future.

INTELLECTUAL PROPERTY

Protecting our proprietary technology is vitally important to our competitive position. We currently hold the following patents:

Number	Business Line	Title	Filing Date	Paten
5,665,372 United States	Cosmetic	Autologous dermal fibroblasts for the repair of skin and soft tissue defects	June 6, 1996	Sept.
5,660,850 United States	Cosmetic	Use of autologous dermal fibroblasts for the repair of skin and soft tissue defects	June 6, 1996	Aug. 2
5,858,390 United States	Cosmetic	Use of autologous undifferentiated mesenchylmal cells for the repair of skin and soft tissue defects	Sept. 8, 1997	Jan. 1
5,591,444 United States	Cosmetic	Use of autologous dermal fibroblasts for the repair of skin and soft tissue Defects	July 28, 1995	Jan.

312548 New Zealand	Cosmetic	Use of autologous dermal fibroblasts for the repair of skin and soft tissue defects	July 3, 1996	March
698440 Australia	Cosmetic	Use of autologous dermal fibroblasts for the repair of skin and soft tissue defects	July 28, 1995	Feb. 1

9,083,618	Dental	Compositions for regenerating tissue that has deteriorated and methods for using such compositions	May 2, 1998	Aug. 1

United States

In the 1st quarter of 2003, we entered into an Intellectual Property Purchase Agreement with Gregory M. Keller, M.D. and Pacgen Partners to acquire two patent applications: a) to repair vocal cord tissue defects and b) to promote healing of wounds and fistulas. As consideration, we issued the seller 100,000 shares of Common Stock and agreed to pay a royalty equal to (a) 5% of all revenues recognized by us or our affiliates from commercial application of the Intellectual Property made, provided, distributed, sold or manufactured directly by us or our affiliates, or (b) 25% of all revenues recognized by us or our affiliates from licensing, sublicensing, transferring or selling the Intellectual Property to a third party, without offset or deduction for general and administrative or operating costs, subject to a total maximum royalty of $2 million.

We are working on several other patent applications. We continue to seek ways to protect our proprietary technology and trade secrets, including entering into confidentiality or license agreements with our employees, consultants and corporate partners, and controlling access to and distribution of our technologies and other proprietary information.

RESEARCH AND DEVELOPMENT

Our research and development focus is not principally on new product development, but on improved process science, manufacturing and cost reduction. Though our research and development focuses on improved process and manufacturing, we continue to explore applications for the Isolagen Process like therapies to regrow hair, to repair damaged nerves, and to heal burned skin. We expense research and development costs as they are incurred. For the years ending December 31, 2002, 2001 and 2000, we incurred research and development expenses of $1.7 million, $0.9 million, and $0.5 million, respectively. For the six months ended June 30, 2003, we incurred research and development expenses of $1.2 million.

EMPLOYEES

We presently employ forty-nine (49) people on a full-time basis including, twenty-eight (28) in Houston, Texas, fifteen (15) in London, England, and six (6) in Sydney, Australia. We anticipate hiring additional employees in the areas of quality assurance, manufacturing, marketing and research and development as the need arises. None of these individuals are covered by a collective bargaining agreement and management considers its relations with the company's employees to be good. We may also employ consultants on an as needed basis to supplement existing staff.

DESCRIPTION OF PROPERTY

We currently lease facilities in three (3) locations: (a) Houston, Texas, (b) London, England, and (c) Sydney, Australia. The Houston, Texas facility is located at 2500 Wilcrest, 5th Floor, Houston, TX 77042 and houses the corporate headquarters as well as laboratory space used for research and development and as the U.S. processing laboratory for cosmetic and dental trials. The London, England facility is located at 59/61 Park Royal, London, NW10 7JJ and houses our European production facility. The Sydney Australia

facility is located at 2 Lincoln Street, Lane Cove, New South Wales, Australia, 2066 and houses our Australian production facility.

Our laboratories are designed as cGMP laboratories to process autologous cultured fibroblasts for the therapeutic injections during our procedures and clinical and pivotal trials. We believe that our laboratories meet FDA facilities' requirements under Center for Biologics Evaluation and Research ("CBER"). The following table summarizes the approximate amount of space in square feet utilized by us at each location:

	ADMINISTRATIVE	WAREHOUSE	LABORATORY	TOTAL
Houston	4,900 (1)	--	3,900 (2)	8,797
London	1,300	2,900	5,200	9,400 (3)
Sydney	1,100	1,100	4,900	7,100 (4)
	7,300	4,000	14,000	25,297

1. Certain officers granted us the use of this office space at no charge until August 2003. Beginning in September 2003, the lease rate is approximately $105,840 annually. We have a month to month lease that may be terminated at our option. The lease is with Axces, Inc., a Delaware corporation, which is owned by Michael Avignon, Michael Macaluso and Timothy Till. Management believes that the leased premises have been made available to us on terms that are superior to those available from arms-length providers of lease space. "See Certain Relationships and Related Transactions."

2. The lease rate is approximately $60,840 annually and the term of the lease expires on March 31, 2005.

3. The lease rate is approximately $146,640 annually and the term of the lease expires on March 24, 2010 and we have the option to cancel after March 24, 2005.

4. The lease rate is approximately $102,240 annually and the term of the lease expires on November 19, 2004 and we have an option to renew for an additional one year.

LEGAL PROCEEDINGS

We are not currently subject to any legal proceedings, threatened or pending. We may from time to time become a party to various legal proceedings arising in the ordinary course of our business.

MANAGEMENT

The following table sets forth the names and ages of all of the directors and executive officers of Isolagen and the positions held by each such person as of October 24, 2003. Officers are appointed by, and serve at the pleasure of, the Board of Directors.

NAME	AGE	TITLE
Frank DeLape	49	Chairman of the Board of Directors
William K. Boss, Jr.	53	Vice Chairman of the Board of Directors
Michael Macaluso	51	Chief Executive Officer, President, and Director
Jeffrey W. Tomz	32	Chief Financial Officer and Secretary
Michael Avignon	49	Director
Steven Morrell	47	Director (1)
E. Ashley Smith	57	Director(1)
Ralph V. De Martino	48	Director(1)
Olga Marko	60	Senior Vice President and Director of Research

NAME	AGE	TITLE
Vaughan Clift	42	Vice President of Operations
Nelson Haight	38	Controller

(1) Messrs. Morrell, Smith and De Martino are members of the Audit and Compensation Committees.

Our Certificate of Incorporation, as amended, provides that the Board of Directors shall be divided into three classes, each such class to be as nearly as possible equal in number of directors to each other class. Each director shall serve a term of three years. The first term of office of directors of the first class shall expire at the first annual meeting after their election, and thereafter such terms shall expire on each three (3) year anniversary of such date; the term of office of the directors of the second class shall expire on the one (1) year anniversary of the first annual meeting after their election, and thereafter such terms shall expire on each three (3) year anniversary of such one (1) year anniversary; and the term of office of the directors of the third class shall expire on the two (2) year anniversary of the first annual meeting after their election, and thereafter such terms shall expire on each three (3) year anniversary of such two (2) year anniversary. At each succeeding annual meeting, the stockholders shall elect directors for a full term or the remainder thereof, as the case may be, to succeed those whose terms have expired. Each director shall hold office for the term for which elected and until his successor shall be elected and qualify. The Board of Directors currently consists of seven members, including Michael Macaluso, Michael Avignon, Frank DeLape, William K. Boss, Jr., Steve Morrell, E. Ashley Smith, and Ralph De Martino. Dr. Boss' and Mr. Morrell's term expires at the 2004 Annual Meeting of Stockholders or until his or her successor is duly elected and qualified. Mr. Smith's and Mr. De Martino's term expires at the 2005 Annual Meeting of Stockholders or until his or her successor is duly elected and

qualified. Mr. Macaluso's, Mr. Avignon's and Mr. DeLape's term expires at the 2006 Annual Meeting of Stockholders or until his or her successor is duly elected and qualified.

Biographical information with respect to the executive officers and directors of Isolagen is provided below. There are no family relationships between any present executive officers and/or directors.

Frank DeLape. Mr. DeLape was appointed as a director to the Board of Directors on June 18, 2001. He was elected Vice President on August 10, 2001. On August 24, 2001, Mr. DeLape resigned as Vice President and was elected Chairman of the Board. Mr. DeLape is also the Chief Executive Officer at Benchmark Equity Group, Inc., a position he has held since 1994. Benchmark is a boutique merchant banking firm that focuses as facilitators and financial managers for emerging companies. Mr. DeLape is also the Managing Partner of Gemini Growth Fund, LP. Gemini Growth Fund, LP is a Small Business Investment Company licensed by the United States government.

William K. Boss, Jr. Mr. Boss was appointed to the Board of Directors on August 10, 2001. He was elected Vice Chairman of the Board of Directors on August 24, 2001. Dr. Boss has been the founder, Chief Executive Officer and Chairman of the Board of Isolagen Technologies since its inception in 1995. Dr. Boss is a Board Certified Plastic Surgeon and serves the Hackensack Medical Center as Vice Chairman of Plastic Surgery. Dr. Boss also serves as an Assistant Clinical Professor at the University of Medicine and Dentistry in New Jersey.

Michael Macaluso. Mr. Macaluso was appointed to the Board of Directors on June 18, 2001. He was elected President of the Company on June 21, 2001. On August 24, 2001, Mr. Macaluso resigned as President of the Company and he was appointed Chief Executive Officer. On June 18, 2003, Mr. Macaluso was appointed and President. Mr. Macaluso is a founder and principal of International Printing and Publishing ("IPP"), a position Mr. Macaluso has held since 1990. Over the past seventeen (17) years, Mr. Macaluso has bought, managed and sold numerous companies. In 1990, he was instrumental in the financial transaction with Touche Ross' venture fund to acquire three companies, resulting in the creation of IPP. As a result of the merger of Touche Ross and Deloitte, Mr. Macaluso became a partner with Deloitte Touche. Subsequent to the merger, Mr. Macaluso negotiated the buyout of Deloitte Touche's interest and subsequently sold IPP to a large consolidator.

Jeffrey W. Tomz. Mr. Tomz was appointed Secretary and Treasurer of the Company on June 21, 2001. He was appointed Chief Financial Officer on August 24, 2001. Mr. Tomz is also a Principal at Benchmark Equity Group, Inc. Benchmark is a boutique merchant banking firm that focuses as facilitators and financial managers for emerging companies. Mr. Tomz has served and/or is currently serving on the board of directors of investee companies, as well as Trident III, L.L.C. and Trident II, L.L.C. which are private investment funds. Mr. Tomz was a

Director of InfoHighway Communication Corp., a private communication company from September 1998 to September 2000. Prior to joining Benchmark in the fall of 1997, Mr. Tomz began his career as a certified public accountant with Arthur Andersen Worldwide.

Michael Avignon. Mr. Avignon was appointed to the Board of Directors on June 18, 2001. He was elected Vice President of the Company on August 10, 2001, and he was appointed President on August 24, 2001. Mr. Avignon resigned as President on January 16, 2003. Mr. Avignon is the founder, Chief Executive Officer and Chairman of the Board of Axces, Inc., a position he has held since 1994. Axces, Inc. is a telecommunications company, which includes international

marketing and a state-of-the-art call center. Mr. Avignon is also Chairman and Chief Executive Officer of MTM Holdings Corp. and Managing Member of Capali, L.L.C., a private investment company.

Steven Morrell. Mr. Morrell was appointed to the Board of Directors on May 22, 2002. Since January 2001, Mr. Morrell is a Partner at Teknoinvest Management AS, which is the oldest and largest Norwegian venture capital firm investing in Scandinavia and the US in the Life Science and Information Technology sectors with $150 million under management. From February 1999 to January 2001, he was the Managing Director of a Teknoinvest portfolio company, Aquasmart International AS. From January 1998 to February 1999, he was the General Director of Veropharm Co., Ltd. Mr. Morrell has held numerous positions over the previous fourteen years including Managing Director for Merck & Co., Inc.'s subsidiary in Russia, Central Asia and Caucasia; General Director of Veropharm Co., Ltd (Russia) which is one of the largest Russian pharmaceutical companies; President of Hafslund Nycomed Pharma AG (Austria) and management consultant in McKinsey & Co., Inc. (Scandinavia). Mr. Morrell has extensive experience in pharmaceutical company management including licensing technology and products; marketing and sales; production and quality control management; as well as mergers and acquisitions. Mr. Morrell also served in the U.S. Air Force as an officer and an F-15 fighter pilot (Japan). He also currently serves as a Member of the Board of AKVAsmart ASA (Norway), Marical, Inc. (USA), Optinel Systems, Inc. (USA), and OAO Pharmacy Chain 36.6 (Russia) as well as an Observer to the Board of Cidra Corporation (USA). Mr. Morrell is fluent in English, Norwegian and German as well as conversational in Russian, and holds an MBA (with Honors) from IMD, Switzerland and a B.Sc. degree with a major in Mathematics and a minor in Aerospace Studies from Brigham Young University, USA.

E. Ashley Smith. Mr. Smith was appointed to the Board in November 2002. Mr. Smith is an attorney with a JD and LLM and was of counsel to the law firm of Hutcheson and Grundy. He has a healthcare background with the rehabilitation center, TIRR Systems, serving as Executive Vice President and Chief Administrative Officer. Mr. Smith was elected President of TIRR Systems in January 1999, and in November 1999, Mr. Smith was elected President and Chief Executive Officer of TIRR Systems. While a member of the Texas House of Representatives (1980 to 1994), Mr. Smith served as Chairman of the Committee on Higher Education, the Committee on Science and Technology, Committee on Financial Institutions, Committee on Government Organizations and the Calendars Committee. In 1991/2, Mr. Smith was named National Legislator of the Year in Science and Technology. In July 1990, Mr. Smith served as general counsel to President Bush's Group of Seven Economic Summit in Houston. In 1998, Mr. Smith was appointed by Texas Governor Bush as Chairman of the Board of the Texas Underground Facilities Notification Corporation. He subsequently served as Senior Advisor to Texas Governor Perry and Chaired Governor Perry's statewide Council on Science and Biotechnology Development. In Houston, Mr. Smith has served as the Chairman of the Southeast Biotech Research Park and was the Founding Chairman of BioHouston, Inc. in 2001/2. Mr. Smith has also served as a member of the boards of directors of the West Houston Chamber of Commerce, the American Red Cross of Houston, and the End Hunger Network.

Ralph V. De Martino. Mr. De Martino was appointed to the Board in December 2002. Since January 2003, Mr. De Martino is the managing partner of the Washington, DC office of the law firm Dilworth Paxson, LLP. From 1983 to December 2002, Mr. De Martino served as the managing principal of the law firm of De Martino Finkelstein Rosen & Virga. Mr. De Martino attended Bucknell University (Bachelor of Science in Business Administration, cum laude, 1976, Accounting, with departmental honors) and the George Washington University National Law Center (Juris Doctor, with honors, 1979). Mr. De Martino practices in the areas of securities and corporate law. From 1999 through 2001, Mr. De

Martino served on the Board of Directors and Audit Committee of Commodore Cruise Lines.

Olga Marko. Ms. Marko was appointed Vice President of the Company on August 10, 2001. She assumed the role of Senior Vice President and Director of Research on August 24, 2001. Ms. Marko has served as Vice President and Director of Research at Isolagen Technologies since its inception in 1995. Prior to incorporating Isolagen Technologies with Dr. Boss, Ms. Marko worked for Merck and Company in the Department of Molecular Pharmacology, Memorial Sloan Kettering and Advanced Tissue Sciences. Her focus, at Merck, involved new drug development, as well as mentoring a group of more than 45 scientists, in the area of tissue culture. During this time, she developed a number of new techniques which improved transfections and receptor expression. In addition, she also developed unique stem cell lines from bone marrow, which were related to animal and human origin. While at Advanced Tissue Sciences, she was instrumental in developing "in vitro", full thickness skin. She was the first to successfully cultivate melanocytes in culture while she was at Memorial Sloan Kettering research institution in New York. Ms. Marko's basic research in academic institutions included cancer research, onco-virology, metastatic involvement, skin cells biology, and wound/burn treatment. The research in wound/burn treatment was done in collaboration with the Cornell University Burn Unit and Rockefeller University. Her industrial experience also included validating the effect of drugs for AIDS treatment and its immuno responses. Ms. Marko established a number of very unique cell lines and holds a number of patents as a result of her work. Ms. Marko has been published in such prestigious, internationally, multi-faceted journals as Science, Nature and the Proceedings of the National Academy, as well as many "niche" publications. She has also co-authored a number of chapters in books relating to tissue culture and medical sciences. Ms. Marko has over thirty-six (36) years in basic research uncovering numerous opportunities for the development of cell lines for specific applications. Ms. Marko has a BS in Biochemistry/Microbiology with graduate work and extensive commercial experience in cell biology. Her experience involves diverse, yet related, fields including cell biology, transplantation, immunology, biochemistry, molecular biology and virology.

Vaughan L Clift, M.D. Dr. Clift was appointed Vice President of Operations on May 28, 2002. He is in charge of the science aspects, regulatory affairs and manufacturing performance of the Company for all products. From January 2001 to May 2002, Dr. Clift did various research on Home Oxygen Therapy Systems while developing an oxygen system for NASA. From July 1997 to January 2001, he was Chief Scientist of DBCD, Inc., a NASA spin-off medical device company that mass-produced a range of blood diagnostic products for the human and veterinary market. From May 1992 to June 1997, Dr. Clift was Chief Scientist for Lockheed Martin's Human Spaceflight SPDEO contract. Dr. Clift has received a number of international and federal awards, served as keynote speaker at several international clinical biochemistry conferences, addressed the first combined International Red Cross and WHO meeting in Geneva, was recognized as one of NASA's top ten scientists and was the subject of a television documentary "NASA Man". He has clinical, manufacturing and FDA experience in integrating automated scaled manufacturing processes.

Nelson Haight. Mr. Haight was appointed Controller of the Company on January 8, 2003. Prior to joining the Company, Mr. Haight held various finance and accounting positions with Petroleum Geo-Services ASA, a Norwegian oilfield services company, from November 1996 to May 2002, as well as Copano Field Services LLC, an independent oil and gas exploration company from January 1995

to November 1996. He began his career as a certified public accountant with Arthur Andersen Worldwide.

No director is related to any other director or executive officer of the Company or its subsidiaries, and there are no arrangements or understandings by and among directors. Except as set forth hereinabove, none of our directors is also a director of another company which has a class of securities registered under Section 12 of the Exchange Act, or which is subject to the reporting requirements of Section 15(d) of that act.

There are no material proceedings to which any director, officer or affiliate of Isolagen, any owner of record or beneficially of more than five percent of any class of voting securities of Isolagen, or any associate of any such director, officer, affiliate or security holder is a party adverse to Isolagen or any of its subsidiaries or has a material interest adverse to Isolagen or any of its subsidiaries.

No director, officer or affiliate of Isolagen, any owner of record or beneficially of more than five percent of any class of voting securities of Isolagen has, during the last five years (i) been convicted of any criminal proceeding (excluding traffic violations or similar misdemeanors) or (ii) been a party to a civil proceeding of a judicial or administrative body of competent jurisdiction and as a result of such proceeding was or is subject to a judgment,

decree or final order enjoining future violations of, or prohibiting or mandating activities subject to, United States federal or state securities laws or finding any violations with respect to such laws.

COMMITTEES OF THE BOARD OF DIRECTORS

The board of directors has established two standing committees, namely, an Audit Committee and a Compensation Committee. There is no nominating committee or executive committee or any committee serving a similar function.

Audit Committee

The duties and responsibilities of the Audit Committee are to recommend the selection of the independent public accountants for the Company to the Board of Directors, to review the scope and cost of the audit, to review the performance and procedures of the auditors, to review the final report of the independent auditors, to be available for consultation with the independent auditors, to review with the Company's Chief Financial Officer and independent auditors corporate accounting practices and policies and financial controls and to perform all other duties as the Board of Directors may from time to time designate. Ralph De Martino (Chairman), Steven Morrell and Ashley Smith comprise the Audit Committee. No member of the Company's Audit Committee has received any consulting fees, advances or compensatory fees from the Company or its subsidiaries and no member of the Audit Committee is an affiliate of the Company or its subsidiaries. During 2002 prior to Mr. De Martino's joining the Board of Directors, a firm with which Mr. De Martino was associated received $25,000 in connection with its representation of Isolagen in the listing of Isolagen's shares on AMEX.

Compensation Committee

The duties and responsibilities of the Compensation Committee are to review periodically the compensation of executive officers and other key employees, to make recommendations as to stock options, bonuses and salaries and to perform all other duties as the Board of Directors may from time to time

designate. Steven Morrell (Chairman), Ralph De Martino and Ashley Smith are the members of the Compensation Committee.

CERTAIN BENEFICIAL HOLDERS AND MANAGEMENT

The following table sets forth information regarding the ownership of our common stock as of October 24, 2003 by: (i) each director; (ii) each of the executive officers named in the Summary Compensation Table; (iii) all executive officers and directors of the Company as a group; and (iv) all those known by us to be beneficial owners of more than five percent of our common stock.

Name and Address of Beneficial Owner	Common Stock Beneficially Owned (1)	Percent of Class (2)
Michael Macaluso (4) 2500 Wilcest, 5th Floor Houston, TX 77042	2,675,734	9.7%
Michael Avignon (5) 2500 Wilcrest, 5th Floor Houston, TX 77042	2,675,734	9.7%
Frank DeLape (6) 2500 Wilcest, 5th Floor Houston, TX 77042	2,005,000	7.4%
William K. Boss, Jr. 2500 Wilcest, 5th Floor Houston, TX 77042	1,614,055	6.1%
Olga Marko 2500 Wilcrest, 5th Floor Houston, TX 77042	1,050,000	4.0%
Jeffrey W. Tomz (7) 2500 Wilcrest, 5th Floor Houston, TX 77042	377,200	1.4%
Steve Morrell (8) Grev Wedels Plass 6 0151 Oslo, Norway	40,000	0.2%
E. Ashley Smith (9) 2500 Wilcrest, 5th Floor Houston, TX 77042	40,000	0.2%
Vaughan Clift (10) 2500 Wilcrest, 5th Floor Houston, TX 77042	40,000	0.2%
Ralph V. De Martino (11) 1818 N Street, NW	40,000	0.2%

Suite 400 Washington, DC 20036		
Nelson Haight 2500 Wilcrest, 5th Floor Houston, TX 77042	--	0.0%
All Officers and Directors as a Group (11 Persons)	10,557,7230	38.9%
5% SHAREHOLDERS		
Buechal Family Ltd. Partnership. (3) 76 Crest Drive So. Orange, NJ 07079	2,717,500	10.2%

(1) Beneficial ownership is determined in accordance with Rule 13d-3 under the Exchange Act. Unless otherwise noted, all listed shares of common stock are owned of record by each person or entity named as beneficial owner and that person or entity has sole voting and dispositive power with respect to the shares of common stock owned by each of them. As to each person or entity named as beneficial owners, that person's or entity's percentage of ownership is determined based on the assumption that any options or convertible securities held by such person or entity which are exercisable or convertible within 60 days have been exercised or converted, as the case may be.

(2) Based upon 26,572,192 shares of Common Stock calculated on a fully-diluted basis.

(3) Includes 942,213 shares of Common stock beneficially owned by Buechel Patient Care Research & Education Fund, Inc. and 200,000 shares of Common Stock beneficially owned by Frederick F. Buechel.

(4) Includes 1,000,000 shares of Common Stock beneficially owned by Alyda Macaluso, Mr. Macaluso's wife, and includes 900,000 held by Mr. Macaluso.

(5) Includes 1,000,000 shares of Common Stock beneficially owned by Laura Avignon, Mr. Avignon's wife, and includes 900,000 options held by Mr. Avignon.

(6) Represents 1,355,000 shares of Common Stock beneficially owned by Benchmark Equity Group, Inc., which is solely owned by Mr. DeLape, and includes 650,000 option held by Mr. DeLape. Does not include 736,666 shares of Common Stock beneficially held by Lighthouse Capital Insurance Company, a Cayman Island unlimited licensed insurance company, which has issued a variable universal life insurance contract of which Mr. DeLape and his children are remote contingent beneficiaries. Mr. DeLape disclaims beneficial ownership of such shares held by Lighthouse and does not have voting or dispositive power with respect to such shares.

(7) Includes 150,000 options.

(8) Includes 40,000 options.

(9) Includes 40,000 options.

(10) Includes 40,000 options.

(11) Includes 40,000 options.

COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS

EXECUTIVE OFFICER COMPENSATION

The following table sets forth information regarding annual and long-term compensation with respect to the fiscal years ended December 31, 2002, 2001 and 2000, paid or accrued by the Company to or on behalf of those persons who were, during the fiscal year ended December 31, 2002, the Company's Chief Executive Officer and the Company's most highly compensated executive officers serving as such as of December 31, 2002 whose compensation was in excess of $100,000.

SUMMARY COMPENSATION TABLE

		Annual Compensation			Long Ter Compensat	
Name and Principal Position	Year	Salary	Bonus	Other Annual Compensation (12)	Securities Underlying Options (1)	R
Kenton L. Stanger (9)	2002	$ --	$ --	--	--	
Former Chief Executive	2001	$ --	$ --	--	--	
Officer, President and Director	2000	$ --	$ --	$ 89,684	--	
Michael Macaluso	2002	$ --	$ 60,500	$ --	--	
(2)(3)(10)	2001	$ --	$ --	$ --	900,000	
Chief Executive Officer, Director	2000	$ --	$ --	$ --	--	
Michael Avignon (2)(4)(10)	2002	$ --	$ 60,500	$ --	--	
President, Director	2001	$ --	$ --	$ --	900,000	
	2000	$ --	$ --	$ --	--	
Jeffrey W. Tomz (2)(5)(10)	2002	$ --	$ --	$ --	--	
Chief Financial Officer	2001	$ --	$ --	$ --	150,000	
and Secretary	2000	$ --	$ --	$ --	--	
Olga Marko (6)(10)	2002	$ 125,402	$ 5,000	$ --	--	
Senior Vice President	2001	$ 130,000	$ --	$ --	--	

	Annual Compensation			Long Term Compensati	
			Other Annual	Securities	R

Name and Principal Position	Year	Salary	Bonus	Compensation (12)	Underlying Options (1)
and Director of Research	2000	$ --	$ --	$ --	--
Vaughn Clift, M.D. (7)(11)	2002	$ 93,549	$ 6,750	$ --	250,000
Vice President Operations	2001	$ --	$ --	$ --	--
	2000	$ --	$ --	$ --	--
Nelson Haight (8)	2002	$ --	$ --	$ --	--
Controller	2001	$ --	$ --	$ --	--
	2000	$ --	$ --	$ --	--

(1) Indicates number of shares of Common Stock underlying options.

(2) We did not pay Messrs. Macaluso, Avignon or Tomz a salary prior to July 14, 2003 pursuant to the Company's representation contained in the Series A Convertible Preferred Stock Private Placement Memorandum. From July 15, 2003 through September 4, 2003, Messrs. Macaluso, Avignon and Tomz each were paid $21,923. On September 5, 2003, Mr. Macaluso entered into an employment agreement with an annual salary of $300,000. On September 5, 2003, Mr. Avignon's salary was increased to $200,000. On September 5, 2003, Mr. Tomz entered into an employment agreement with an annual salary of $200,000. See "Compensation of Directors and Executive Officers -- Employment Agreements"

(3) Mr. Macaluso was granted 400,000 stock options on February 25, 2003 at $4.50 per share of which 200,000 options vest on February 25, 2004 and 200,000 options vest on February 25, 2005. Mr. Macaluso was also granted 300,000 stock options on September 5, 2003 at $9.81 per share which vest ratably over the last six months of his employment agreement.

(4) Mr. Avignon resigned as President on January 16, 2003. Mr. Avignon was granted 400,000 stock options on February 25, 2003 at $4.50 per share of which 200,000 options vest on February 25, 2004 and 200,000 options vest on February 25, 2005.

(5) Mr. Tomz was granted 120,000 stock options on February 25, 2003 at $4.50 per share of which 60,000 options vest on February 25, 2004 and 60,000 options vest on February 25, 2005.

(6) Ms. Marko's 2003 annual salary is $132,000.

(7) Dr. Clift's 2003 annual salary is $175,500.

(8) Mr. Haight started with the Company on January 8, 2003. Mr. Haight's 2003 annual salary is $115,000. Mr. Haight received 45,000 stock options on January 8, 2003 at $6.00 per share in which 15,000 options vest on January 7, 2004, 15,000 options vest on January 7, 2005 and 15,000 options vest on January 7, 2006.

(9) Mr. Stanger ceased being the President and Chief Executive Officer of the Company on June 18, 2001.

(10) Each of Mr. Macaluso, Mr. Avignon, Mr. Tomz and Ms. Marko assumed their respective positions with the Company on August 24, 2001.

(11) Dr. Clift assumed his position as Vice President of Operations of the

Company on May 28, 2002.

(12) Consists of interest accrued during fiscal year 2000 on the unpaid balance of amounts previously outstanding on personal loans to such officer. Such amounts were treated as compensation for purposes of this table, but was considered an obligation payable by Mr. Stanger. Effective December 31, 2000, all amounts payable by Mr. Stanger were assigned to East Bay Trust.

Except as otherwise expressly stated in this Prospectus, we do not have written plans to pay bonuses or defined compensation to our employees. We have adopted medical plans for our employees at our cost.

OPTION AND STOCK APPRECIATION RIGHT GRANTS IN FISCAL YEAR ENDED DECEMBER 31, 2002

The following table contains information concerning grants of stock options and stock appreciation rights to the individuals named below during fiscal year 2002.

OPTIONS AND STOCK APPRECIATION RIGHTS GRANTED

Name	Number of Securities Underlying Option/SAR Granted	Percent of Total Options/SAR Granted to Employees in Fiscal Year	Exercise Pric Base Price
Vaughn Clift, M.D.	250,000	35.80%	$ 6.00

STOCK OPTION AND STOCK APPRECIATION RIGHT EXERCISES AND HOLDINGS

The following table describes the summarizes certain information related to the exercise of options to acquire shares of Common Stock by the individuals named below during the 2002 fiscal year. The table also sets forth the value of options and stock appreciation rights held by each of the individuals named below at December 31, 2002.

AGGREGATED OPTION EXERCISES IN 2002
AND OPTION VALUES AT DECEMBER 31, 2002

Name	Shares Acquired on Exercise	Value Realized	Number of Securities Underlying Unexercised Options at December 31, 2002	
			Exercisable	Unexercisable
Michael Macaluso	--	$ --	--	900,000
Michael Avignon	--	$ --	--	900,000
Robert E. Tompkins (2)	38,400	$ 57,600	61,600	--
Jeffrey W. Tomz	--	$ --	--	150,000
Vaughn Clift, M.D.	--	--	--	250,000
Total:	38,400	$ 57,600	61,600	2,200,000

(1) The value of unexercised "in-the-money" options equals the difference between the option exercise price and the closing price of our stock at year end, multiplied by the number of shares underlying the options. The closing price of our stock on December 31, 2002, as reported on AMEX, was $5.20. The closing price of our stock on October 20, 2003 was $8.14.

(2) Mr. Tompkins left the Company in September 2002. Upon separation, options to acquire 100,000 shares of Common Stock immediately vested, with options to acquire an additional 61,600 shares of Common Stock remaining unexercised at December 31, 2002. The options to acquire the remaining 61,600 shares of Common Stock were exercised by Mr. Tompkins in January 2003.

DIRECTOR COMPENSATION

Directors who are also employees of the Company do not receive compensation for their services as directors. In consideration for our independent directors services, we provided, during the fiscal year ended December 31, 2002, each independent director with a stipend of $15,000 plus options to purchase 100,000 shares of Common Stock at $6 per share. The options granted to the independent directors vest over a period of three years from the date of grant.

Mr. Frank DeLape, Chairman of the Board, received a $236,000 bonus in 2002 in recognition of his efforts in helping the Company to remove the FDA clinical hold on our principal product helping us set-up our European operations. Mr. DeLape was granted options to purchase 400,000 shares of Common Stock on February 25, 2003 for an exercise price of $4.50 per share, of which options to acquire 200,000 shares vest on February 25, 2004 and options to acquire the remaining 200,000 shares vest on February 25, 2005. Mr. DeLape's was compensated at the

annual rate of $175,000, plus a $1,000 monthly car allowance from January 1, 2003, through September 4, 2003, at which time he entered into a new employment arrangement described below.

EMPLOYMENT AGREEMENTS, TERMINATION OF EMPLOYMENT AND CHANGE IN CONTROL AGREEMENTS.

We have entered into employment agreements with Olga Marko, William K. Boss, Jr., Brian Whitley, Vaughan Clift, Frank DeLape, Michael Macaluso and Jeffrey Tomz.

Mrs. Marko entered into an employment agreement, dated August 10, 2001, for a term of sixty (60) months at an annual base salary of $130,000. The base salary shall increase on an annual basis by the same percentage that the Consumer Price Index has increased during the same time frame or at the direction of the Board of Directors, whichever is higher. Mrs. Marko is eligible for an annual bonus to be determined by the Board of Directors in its sole discretion. If the employment agreement is terminated without cause, Mrs. Marko will be entitled to a twelve (12) month severance payment.

Dr. Boss entered into an employment agreement, dated August 10, 2001, and later amended on February 28, 2002 as follows: (a) during the first year of the term, Dr. Boss will receive 60,000 shares of Common Stock; (b) an annual compensation of $50,000 for 2002; and (c) an annual compensation of $60,000 for 2003. For this compensation, Dr. Boss agrees to devote 25 mutually agreeable

days of service per year as requested by us. If the employment agreement is terminated without cause, Dr. Boss will be entitled to a three (3) month severance payment.

Mr. Whitley entered into an employment agreement, dated September 1, 2001, for a term of sixty (60) months at an annual base salary as follows: (a) $4,000 per month for September 2001 through December 2001; and (b) $10,000 per month for months subsequent to December 31, 2001. Mr. Whitley is eligible for an annual bonus to be determined by the Board of Directors in its sole discretion. If the employment agreement is terminated without cause, Mr. Whitley will be entitled to a three (3) month severance payment. Mr. Whitley left the employment of the Company in March 2003.

Mr. Clift entered into an employment agreement, dated May 28, 2002, for a term of thirty-six (36) months at an annual base salary of $175,500. Mr. Clift is eligible for an annual bonus to be determined by the Board of Directors in its sole discretion. If the employment agreement is terminated without cause, Mr. Clift will be entitled to a two (2) month severance payment.

Mr. DeLape entered into an employment agreement dated September 5, 2003, with an initial term ending July 31, 2006 and providing for a base salary of $325,000, subject to the right of the Board of Directors to increase his salary from time to time. Mr. DeLape is entitled to receive an annual bonus in an amount to be determined by the Compensation Committee. If Mr. DeLape's performance satisfies criteria to be established by the Compensation Committee his target bonus will be 38.5% of his annual salary. The agreement also provides that Mr. DeLape will receive employee stock options to purchase 300,000 shares of Common Stock at an exercise price equal to the average closing transaction price on the ten trading days preceding the grant. The option will have a term of ten years and will vest and become exercisable ratably over the last six calendar quarters of his employment agreement. The vesting of the option will accelerate in the event of a change in control of the Company, the sale of substantially all of the assets of the Company or the merger out of existence of the Company. The agreement also provides Mr. DeLape with disability and life insurance benefits, a car allowance and wireless communications benefits. Mr. DeLape's employment may be terminated at any time, provided that if his employment is terminated without "Cause" or if he terminates his employment for "Good Reason" as those terms are defined in the agreement, he will be entitled to receive a severance payment equal to the greater of (i) the salary payable over the remaining term of his agreement or (ii) eighteen months salary, as well as a bonus computed on the basis of the greater of (a) the amount determined under the agreement by the Compensation Committee or (b) $70,000.

Mr. Macaluso entered into an employment agreement dated September 5, 2003, with an initial term ending July 31, 2006 and providing for a base salary of $300,000, subject to the right of the Board of Directors to increase his salary from time to time. Mr. Macaluso is entitled to receive an annual bonus in an amount to be determined by the Compensation Committee. If Mr. Macaluso's performance satisfies criteria to be established by the Compensation Committee his target bonus will be 40% of his annual salary. The agreement also provides that Mr.

Macaluso will receive employee stock options to purchase 300,000 shares of Common Stock at an exercise price equal to the average closing transaction price on the ten trading days preceding the grant. The option will have a term of ten years and will vest and become exercisable ratably over the last six calendar quarters of his employment agreement. The vesting of the option will accelerate in the event of a change in control of the Company, the sale of substantially all of the assets of the Company or the merger out of existence of the Company.

The agreement also provides Mr. Macaluso with disability and life insurance benefits, a car allowance and wireless communications benefits. Mr. Macaluso's employment may be terminated at any time, provided that if his employment is terminated without "Cause" or if he terminates his employment for "Good Reason" as those terms are defined in the agreement, he will be entitled to receive a severance payment equal to the greater of (i) the salary payable over the remaining term of his agreement or (ii) eighteen months salary, as well as a bonus computed on the basis of the greater of (a) the amount determined under the agreement by the Compensation Committee or (b) $70,000.

Mr. Tomz entered into an employment agreement dated September 5, 2003 with an initial term ending July 15, 2005 and providing for a base salary of $200,000, subject to the right of the Board of Directors to increase his salary from time to time. Mr. Tomz is entitled to receive an annual bonus in an amount to be determined by the Compensation Committee. If Mr. Tomz's performance satisfies criteria to be established by the Compensation Committee, his target bonus will be 30% of his annual salary. Mr. Tomz's employment may be terminated at any time, provided that if his employment is terminated without "Cause" or if he terminates his employment for "Good Reason" as those terms are defined in the agreement, he will be entitled to a six month severance payment. In the event of a change in control of the Company, the sale of substantially all of the assets of the Company, a merger of the Company in which the Company is not the surviving entity, or the termination of his employment (other than for Cause) the vesting of any options owned by him shall accelerate.

Mr. Avignon resigned as President on January 16, 2003.

BENEFIT PLANS.

The Board of Directors adopted and stockholders have approved the 2001 Stock Option and Appreciation Rights Plan (the "2001 PLAN") reserving 5,000,000 shares of Common Stock for the issuance of options to employees, directors and consultants. The Board of Directors adopted and stockholders have approved the 2003 Stock Option and Appreciation Rights Plan (the "2003 PLAN") reserving 2,250,000 shares of Common Stock for the issuance of options to employees, directors and consultants. The purposes of the 2001 Plan and 2003 Plan our to promote the interests of the Company and to motivate, attract and retain the services of persons upon whose judgment, efforts and contributions the success of our business depends and to align the personal interests of such persons with the interests of stockholders through equity participation in our growth and success. The 2001 Plan and 2003 Plan provide for grants of non-qualified options, incentive stock options and restricted stock awards, or any combination of the foregoing.

As of October 24, 2003, options to acquire 4,049,100 shares of the Common Stock have been granted under the 2001 Plan, and options to acquire 1,920,000 shares of Common Stock have been granted under the 2003 Plan. Also as that same date, options to acquire 339,000 shares of Common Stock granted under the 2001 Plan have been exercised by recipients, and no options to acquire shares of Common Stock granted under the 2003 Plan have been exercised by recipients. Finally, options to acquire 3,099,100 shares of Common Stock which were granted under the 2001 Plan have vested. The options to acquire the shares of Common Stock granted under the 2001 Plan and 2003 Plan have an exercise price ranging from $1.50 per share to $9.81 per share.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The following paragraph sets forth the reportable transactions in the

last fiscal year between Isolagen and its executive officers, directors or affiliates. See "Compensation of Directors and Executive Officers -- Employment Agreements" and "Compensation of Directors and Executive Officers Consulting and Other Arrangements" for descriptions of the terms of employment and consulting agreements between Isolagen and certain officers, directors and other related parties.

TRANSACTIONS WITH THE MANAGEMENT

Beginning in September 2003, we began leasing approximately 4,900 square feet of the Houston, TX office space from Axces, Inc., a Delaware corporation. The lease rate is approximately $105,840 annually. We have a month to month lease that may be terminated at our option. Axces, Inc. is owned by Michael Avignon, Michael Macaluso and Timothy Till. Management believes that the leased premises have been made available to us on terms that are superior to those available from arms-length providers of lease space.

CAPITAL STOCK

The following description of our capital stock and certain provisions of the Certificate of Incorporation, as amended, and the Bylaws is a summary and is qualified in its entirety by reference to the provisions of the Certificate of Incorporation and the Bylaws, copies of which are filed with the SEC as exhibits to this Registration Statement, of which this Prospectus forms a part.

Our authorized capital stock consists of 50,000,000 shares of Common Stock and 5,000,000 shares of Preferred Stock. As of October 24, 2003, there were outstanding:

- 26,572,192 shares of Common Stock;

- 5,969,100 shares issuable upon exercise of options issued pursuant to our employee benefit plans; and

- 1,085,669 shares issuable upon exercise of outstanding Common Stock Purchase Option.

COMMON STOCK

We are authorized to issue 50,000,000 shares of Common Stock, $.001 par value per share. Subject to preferences that may be applicable to any Preferred Stock outstanding at the time, the holders of outstanding shares of Common Stock are entitled to receive dividends out of assets legally available therefore at such times and in such amounts as the Board of Directors may from time to time determine. Each shareholder is entitled to one vote for each share of Common Stock held on all matters submitted to a vote of shareholders. Cumulative voting for the election of directors is not authorized.

The Common Stock is not entitled to preemptive rights and is not subject to conversion or redemption. Upon liquidation, dissolution or winding up of Isolagen, the remaining assets legally available for distribution to shareholders, after payment of claims or creditors and payment of liquidation preferences, if any, on outstanding Preferred Stock, are distributable ratably

among the holders of the Common Stock and any participating Preferred Stock outstanding at that time. Each outstanding share of Common Stock is fully paid and nonassessable.

PREFERRED STOCK

The Certificate of Incorporation, as amended, authorizes us to issue 5,000,000 shares of "blank check" preferred stock, $.001 par value per share. "blank check" preferred stock allows the Board of Directors to create one or more series of preferred stock, and to designate the rights, privileges, restrictions, preferences and limitations of any given series of preferred stock. Accordingly, the 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. "Blank check" preferred stock could also be issued to discourage, control, although we have no present intent to issue any additional series of our preferred stock. The Board of Directors' ability to issue "blank check" preferred stock serves as a traditional anti-takeover measure installed to present obstacles to takeovers. This provision of our Certificate of Incorporation makes it difficult for a majority shareholder to gain control of the Company and, therefore, may be beneficial to the Company's management and its Board in a hostile tender offer and may have an adverse impact on shareholders who may want to participate in such a tender offer. Also, the issuance of preferred stock with voting and conversion rights could materially and adversely affect the voting power of the holders of the Common Stock and may have the effect of delaying, deferring or preventing a change in control of the Company.

As of October 24, 2003, two series of preferred stock have been created, Series A Convertible Preferred Stock and Series B Convertible Preferred Stock. A total of 3,500,000 shares of Series A Convertible Preferred Stock are authorized, and 200,000 shares of Series B Convertible Preferred Stock are authorized. Thus, 1,300,000 shares of "blank check" preferred stock remain available for the creation of additional series.

There are no shares of preferred stock issued and outstanding. All previously issued and outstanding shares of Series A Convertible Preferred Stock and Series B Convertible Preferred Stock have been converted into Common Stock and may not be reissued. As a result, 461,493 shares of Series A Convertible Preferred Stock and 44,250 shares of Series B Convertible Preferred Stock remain available for issuance.

TRANSFER AGENT

The transfer agent for our Common Stock is American Stock Transfer & Trust Company located at 59 Maiden Lane, NY, NY 11038.

MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

MARKET INFORMATION

Since December 11, 2002, our common stock has been traded on the American Stock Exchange under the symbol "ILE." Prior to December 11, 2002, our common stock was quoted on the OTC Bulletin Board under the symbol "ISLG." The market for our common stock is limited, volatile, and sporadic. The following

table sets forth the range of high and low bid quotations or high and low sales prices for our common stock for each of the periods indicated as reported by the OTC Bulletin Board or the AMEX. These prices for the OTC Bulletin Board reflect inter-dealer prices, without retail mark-up, mark-down or commissions. The OTC Bulletin Board and AMEX prices listed below may not represent actual transaction prices.

	December 31, 2003		December 31, 2002	
	High	Low	High	Low
First Quarter	$ 5.55	$ 4.20	$ 7.25	$ 5.00
Second Quarter	$ 7.25	$ 4.10	$ 6.95	$ 2.90
Third Quarter	$ 10.85	$ 6.50	$ 3.75	$ 2.20
Fourth Quarter (1)	$ 9.03	$ 8.14	$ 5.75	$ 3.00

1. The fourth quarter market information for 2003 is from October 1, 2003 through October 20, 2003.

HOLDERS

As of October 20, 2003, we had 742 shareholders of record and approximately 1,500 beneficial owners.

DIVIDENDS

We have never paid dividends on Common Stock. Currently, we anticipate that we will retain earnings, if any, to support operations and to finance the growth and development of our business and does not anticipate paying cash dividends on the Common Stock in the foreseeable future. We are obligated to pay $1,083,280 to the former holders of the Series A Convertible Preferred Stock and Series B Convertible Preferred Stock, respectively, who converted their respective holdings into Common Stock shares in August 2003.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The following table provides information as of December 31, 2002, with respect to options outstanding and available under our 2001 Stock Option Plan and Stock Appreciation Rights, and the 2003 Stock Option Plan and Stock Appreciation Rights, which are our only equity compensation plans, other than an employee benefit plan meeting the qualification requirements of Section 401(a) of the Internal Revenue Code, as amended.

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options	Weighted-Average Exercise Price of Outstanding Options
Equity compensation plans approved by security holders	4,252,100 - 12/31/02	$ 5.08

SHARES AVAILABLE FOR FUTURE SALE

There can be no assurance that a significant public market for the Common Stock will be sustained after this offering. Sales of substantial amounts of Common Stock in the public market after this offering, or the possibility of such sales occurring, could adversely affect prevailing market prices for the Common Stock or our future ability to raise capital through an offering of equity securities. Ninety and seven-tenths percent of the issued and outstanding shares of Common Stock are registered in the registration statement of which this Prospectus forms a part. All of the investors that purchased shares of Common Stock in our August 2003 private placement have included the offer and resale in this Prospectus. Those shares total 3,359,331. Those shares are not subject to lock-up. Those investors who purchased shares of our common stock in the August 2003 private placement are identified in footnote (2) in the Selling Holders table in "Securities Offered, the Selling Holders and the Plan of Distribution."

In addition, holders of an additional 20,531,541 shares of Common Stock have included the offer and resale of a total of 23,890,872 shares of Common Stock in this Prospectus. Selling Holders of 11,600,484 shares have entered into a lock-up agreement whereby such holders have agreed not to sell or otherwise transfer any shares of commons stock until 180 days from the date that the resale registration statement is declared effective by the SEC without the consent of Legg Mason Wood Walker Incorporated, the placement agent for the August 2003 private placment; provided, however, that shares of common stock may be sold as follows: (a) 25% of the common stock may be transferred commencing on the effective date of the resale registration statement; and (b) 25% of the commons stock may be sold ninety days following the effective date of the resale registration statement. Selling Holders of an additional 8,931,057 shares have entered into a lock-up agreement whereby such holders have agreed not to sell or otherwise transfer any shares of commons stock until April 26, 2003 without the consent of Fordham Financial Management, Inc. The sale of shares pursuant to this Prospectus, and more awareness of the existence of this Prospectus could materially and adversely affect our stock price or impair our ability to obtain capital through the issuance of equity securities.

In addition, under the terms of the August 2003 private placement of our common stock, we agreed to issue or to pay for all or part of each 30-day period ("Penalty Period"), if the Registration Statement covering the privately placed shares has not been filed with the SEC within 15 days after the placement closing date or been declared effective by the SEC within 90 days after the placement closing date ("Registration Default") and such Registration Default remains uncured, to each investor 1% for each Penalty Period of the aggregate purchase price paid by the investor for its respective shares, payable in common stock shares (valued at the average of the closing price of the common stock for 3 trading days ending on the last trading day of such Penalty Period) (the "Penalty Shares") or cash, or a combination of both, at our option.

One entity, the Heartland Value Fund, purchased $6,270,000 of shares. There is no limitation of the amount of penalty with respect to those shares. In addition, the "Penalty Shares" for this investor are valued at the average of the closing price of the common stock for 10 trading days ending on the last trading day of a penalty period. The maximum aggregate cash payment or issuance of Penalty Shares to all other investors may not exceed 5% of the aggregate purchase price paid by the investor for its respective shares and provided further, that if the

issuance of Penalty Shares by us would result in our being required under AMEX rules to obtain the approval of our stockholders, then we will pay cash rather than issue such Penalty Shares. We must deliver the Penalty Shares or cash payment to the investor by the 5th business day after the end of each Penalty Period.

As of October 24, 2003, we had outstanding options and warrants for the purchase of up to approximately 7,429,269 shares of Common Stock with an exercise price ranging from $1.50 per share to $9.81 per share, representing approximately 21.8% of our outstanding shares of Common Stock on a fully-diluted basis.

The perception that these instruments may be exercised for, or converted into, Common Stock that then could be sold into the public market could adversely affect the market price of our Common Stock. In addition, we have entered into registration rights agreements with certain of our stockholders entitling them to include their shares of Common Stock in registration statements for securities filed by Isolagen under the Securities Act of 1933, as amended. Awareness of the existence of these registration rights could lead to a perception that sales of the shares subject to the registration rights could occur, which could materially and adversely affect our stock price or could impair our ability to obtain capital through sales of equity securities. In addition, shares we have issued in private transactions over the past two years will become eligible for sale in the public market under Rule 144.

These shares are restricted securities as defined in Rule 144. Under that rule, a stockholder who owns restricted shares that have been outstanding for at least one year is entitled to sell, within any three-month period, a number of restricted shares that does not exceed the greater of: (i) 1% of the then outstanding shares of Common Stock, or approximately 265,722 shares as of October 24, 2003; and (ii) an amount equal to the average weekly trading volume in the Common Stock during the four calendar weeks preceding the sale.

SECURITIES AND EXCHANGE COMMISSION POSITION ON INDEMNIFICATION FOR SECURITIES ACT LIABILITIES

The Certificate of Incorporation of Isolagen require us to indemnify our officers, directors, employees and agents against certain liabilities incurred by them in those capacities if they acted in good faith and reasonably believed their conduct was in the best interests of Isolagen or not opposed to it. Isolagen is also required to indemnify a person who is or was a director, officer, employee or agent of Isolagen and who was successful, on the merits or

otherwise, in defense of any proceeding to which he was a party, against reasonable expenses, which include attorney's fees, incurred by him or her in connection with the proceeding.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of Isolagen under the provisions discussed in the previous paragraph, or otherwise, Isolagen has been advised that in the opinion of the SEC such indemnification is against public policy as expressed in that Act and is, therefore, unenforceable.

EXPERTS

The consolidated balance sheets as of December 31, 2002 and 2001, and the consolidated statements of operations, stockholders' equity, and cash flows for each of the years in the three year period ended December 31, 2002 have been audited by Pannell Kerr Forster of Texas, P.C., independent certified public accountants, as set forth in their report thereon appearing elsewhere herein and in the Registration Statement, and are included in reliance upon such report given upon the authority of such firm as experts in accounting and auditing.

LEGAL MATTERS

Dilworth Paxson LLP, Philadelphia, Pennsylvania, has passed on the validity of the shares of Common Stock offered hereby.

HOW TO OBTAIN ADDITIONAL INFORMATION

Jeffrey W. Tomz
Chief Financial Officer and Secretary
Isolagen, Inc.
2500 Wilcrest, 5th Floor
Houston, Texas 77042

(713) 780-4754

jtomz@isolagen.com

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

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors and Shareholders of
Isolagen, Inc.

We have audited the accompanying consolidated balance sheets of Isolagen, Inc. and Subsidiaries (a Delaware corporation) as of December 31, 2002 (as restated) and 2001 (as restated), and the related consolidated statements of operations, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2002 (as restated) and the cumulative amounts during the development stage (as restated) (Inception December 28, 1995). These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Isolagen, Inc. and Subsidiaries as of December 31, 2002 and 2001 and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2002 and the cumulative amounts for the period from Inception to December 31, 2002, in conformity with accounting principles generally accepted in the United States of America.

March 12, 2003 (except for Restatement of Financial Statements described in Note 2 for which the date is October 17, 2003)
Pannell Kerr Forster of Texas, P.C.
Houston, Texas

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

	December 31, 2002 (as restated)	
ASSETS		
Current assets		
Cash and cash equivalents	$ 4,244,640	$
Inventory	138,910	
Accounts receivable, net of allowance for doubtful accounts	40,204	
Other receivables	153,583	
Prepaid expenses	284,557	
Total current assets	4,861,894	
Property and equipment, net	2,159,913	
Other assets	235,857	
Total assets	$ 7,257,664	$
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable	$ 1,881,236	$
Accrued expenses	112,224	
Deferred revenue	57,274	
Total current liabilities	2,050,734	
Commitments and contingencies		
Shareholders' equity (deficit)		
Preferred stock, $.001 par value; 5,000,000 shares authorized	3,039	
Common stock, $.001 par value; 50,000,000 shares authorized	15,228	
Additional paid-in capital	25,573,999	
Other comprehensive income	13,875	
Accumulated deficit during development stage	(20,399,211)	
Total shareholders' equity (deficit)	5,206,930	
Total liabilities and shareholder's equity	$ 7,257,664	$

The accompanying notes are an integral part of these statements.

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

	For the Year Ended December 31,			Cumulati Period f December 1995 (dat inception December
	2002	2001	2000	2002
	(as restated)	(as restated)	(as restated)	(as resta
Revenues				
Sales	$ 50,991	$ 25,482	$ 6,584	$ 1,441,
License fees	40,000	80,000	40,000	260,
Total revenues	90,991	105,482	46,584	1,701,
Cost of sales	35,133	17,891	10,846	437,
Gross profit	55,858	87,591	35,738	1,263,
Selling, general and administrative expenses	3,994,782	715,468	265,075	7,160,
Research and development	1,735,244	933,907	463,304	3,770,
Operating loss	(5,674,168)	(1,561,784)	(692,641)	(9,667,
Other income (expense)				
Interest income	208,692	17	4,891	237,
Other income	32,421	--	--	32,
Loss on disposal of asset	--	(8,222)	--	(8,
Interest expense	--	(82,015)	(119,326)	(311,
Net loss	$ (5,433,055)	$ (1,652,004)	$ (807,076)	$ (9,717,
Deemed dividend associated with beneficial conversion of preferred stock	(10,178,944)	--	--	(10,178,
Preferred stock dividends	(502,661)	--	--	(502,
Net loss attributable to common shareholders	$(16,114,660)	$ (1,652,004)	$ (807,076)	$(20,399,
Per share information				
Net loss - basic and diluted	$ (.36)	$ (.14)	$ (.08)	$ (
Deemed dividend associated with beneficial conversion of preferred stock	(.67)	--	--	(
Preferred stock dividends	(.03)	--	--	(

Net loss per common share - basic and diluted	$ (1.06)	$ (.14)	$ (.08)	$ (1
Weighted average number of basic and diluted common shares outstanding	15,205,554	12,206,106	10,364,054	11,116,

The accompanying notes are an integral part of these statements.

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

	Series A Preferred Stock		Common Stock		
	Number of Shares	Amount	Number of Shares	Amount	Additiona Paid-In Capital
Issuance of common stock for cash on 12/28/95	--	$ --	82,000	$ 820	$ -
Issuance of common stock for cash on 11/7/96	--	--	400	4	49,99
Issuance of common stock for cash on 11/29/96	--	--	80	1	9,99
Issuance of common stock for cash on 12/19/96	--	--	240	2	29,99
Issuance of common stock for cash on 12/26/96	--	--	400	4	49,99
Net loss	--	--	--	--	-
Balance, 12/31/96	--	$ --	83,120	$ 831	$ 139,98
Issuance of common stock for cash on 12/27/97	--	--	760	8	94,99
Issuance of common stock for Services on 9/1/97	--	--	400	4	36,25
Issuance of common stock for Services on 12/28/97	--	--	10,305	103	10,15
Net loss	--	--	--	--	-
Balance, 12/31/97	--	$ --	94,585	$ 946	$ 281,38

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

Issuance of common stock for cash on 12/28/95	$ --	--	$ --	$ 820
Issuance of common stock for cash on 11/7/96	--	--	--	50,000
Issuance of common stock for cash on 11/29/96	--	--	--	10,000
Issuance of common stock for cash on 12/19/96	--	--	--	30,000
Issuance of common stock for cash on 12/26/96	--	--	--	50,000
Net loss	--	--	--	(270,468)
Balance, 12/31/96	$ --	--	$ --	$ (129,648)
Issuance of common stock for cash on 12/27/97	--	--	--	95,000
Issuance of common stock for Services on 9/1/97	--	--	--	36,260
Issuance of common stock for Services on 12/28/97	--	--	--	10,255
Net loss	--	--	--	(52,550)
Balance, 12/31/97	$ --	--	$ --	$ (40,683)

The accompanying notes are an integral part of these statements.

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

	Series A Preferred Stock		Common Stock			Accumulated Deficit
	Number of Shares	Amount	Number of Shares	Amount	Additional Paid-In Capital	During Development Stage
Issuance of common stock for cash on 8/23/98	--	$ --	160	$ 2	$ 20,065	$ --
Repurchase of common stock on 9/29/98	--	--	--	--	--	--
Net loss	--	--	--	--	--	(195,675)
Balance, 12/31/98	--	$ --	94,745	$ 948	$ 301,454	$ (518,693)
Issuance of common stock for cash on 9/10/99	--	--	1,884	19	149,981	--
Net loss	--	--	--	--	--	(1,306,778)
Balance, 12/31/99	--	$ --	96,629	$ 967	$ 451,435	$(1,825,471)
Issuance of common stock for cash on 1/18/00	--	--	1,923	19	1,904	--
Issuance of common stock for Services on 3/1/00	--	--	2,465	25	--	--

Issuance of common stock for Services on 4/4/00	--	--	996	10	--	--
Net loss	--	--	--	--	--	(807,076)
Balance, 12/31/00	--	$ --	102,013	$1,021	$ 453,339	$(2,632,547)

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

The accompanying notes are an integral part of these statements.

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

	Series A Preferred Stock Number of Shares	Series A Preferred Stock Amount	Common Stock Number of Shares	Common Stock Amount	Additional Paid-In Capital	Accumula Defici During Developm Stage
Issuance of common stock for services on 7/1/01	--	$ --	5,632	$ 56	$ --	$ --
Issuance of common stock for services on 7/1/01	--	--	4,485	45	--	--

Issuance of common stock for capitalization of accrued salaries on 8/10/01	--	--	2,512	25	328,100	--
Issuance of common stock for conversion of convertible debt on 8/10/01	--	--	62,791	628	1,610,718	--
Issuance of common stock for conversion of convertible shareholder notes payable on 8/10/01	--	--	7,498	75	135,592	--
Issuance of common stock for bridge financing on 8/10/01	--	--	10,776	108	--	--
Reverse acquisition and recapitalization effective 8/10/01	--	--	13,100,217	11,339	(110,166)	--
Issuance of common stock for cash on 8/10/01	--	--	1,346,669	1,347	2,018,653	--
Issuance of common stock for services on 8/10/01	--	--	60,000	60	--	--
Issuance of common stock for cash on 8/28/01	--	--	26,667	26	39,974	--
Issuance of common stock for services on 9/30/01	--	--	314,370	314	471,241	--

	Other Comprehensive Income	Treasury Stock		Total Shareholders' Equity (Deficit)
		Number of Shares	Amount	
Issuance of common stock for services on 7/1/01	$ --	--	$ --	$ 56
Issuance of common stock for services on 7/1/01	--	--	--	45
Issuance of common stock for capitalization of accrued salaries on 8/10/01	--	--	--	328,125
Issuance of common stock for conversion of convertible debt on 8/10/01	--	--	--	1,611,346
Issuance of common stock for conversion of convertible shareholder notes payable on 8/10/01	--	--	--	135,667
Issuance of common stock for bridge financing on 8/10/01	--	--	--	108
Reverse acquisition and recapitalization effective 8/10/01	--	(2,400)	50,280	(48,547)
Issuance of common stock for cash on 8/10/01	--	--	--	2,020,000
Issuance of common stock for services on 8/10/01	--	--	--	60
Issuance of common stock				

for cash on 8/28/01	--	--	--	40,000
Issuance of common stock for services on 9/30/01	--	--	--	471,555

The accompanying notes are an integral part of these statements.

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

	Series A Preferred Stock		Common Stock		
	Number of Shares	Amount	Number of Shares	Amount	Addit Paid Capi
Uncompensated contribution of services - 3rd Qtr. (as restated)	--	$ --	--	$ --	$
Issuance of common stock for services on 11/1/01	--	--	145,933	146	$ 2
Uncompensated contribution of services - 4th Qtr. (as restated)	--	--	--	--	1
Net loss (as restated)	--	--	--	--	
Balance, 12/31/01 (as restated)	--	$ --	15,189,563	$ 15,190	$ 5,3
Uncompensated contribution of services - 1st Qtr. (as restated)	--	--	--	--	1
Issuance of preferred stock for cash on 4/26/02	905,000	905	--	--	2,8
Issuance of preferred stock for cash on 5/16/02	890,250	890	--	--	2,7
Issuance of preferred stock for cash on 5/31/02	795,000	795	--	--	2,4
Issuance of preferred stock for cash on 6/28/02	229,642	230	--	--	7
Uncompensated contribution of services - 2nd Qtr. (as restated)	--	--	--	--	1
Issuance of preferred stock for cash on 7/15/02	75,108	75	--	--	2
Issuance of common stock for cash on 8/1/02	--	--	38,400	38	
Issuance of warrants for services on 9/06/02	--	--	--	--	1
Uncompensated contribution of services - 3rd Qtr. (as restated)	--	--	--	--	1
Uncompensated contribution of services - 4th Qtr. (as restated)	--	--	--	--	1
Issuance of preferred stock for dividends	143,507	144	--	--	5
Deemed dividend associated with beneficial conversion of					

preferred stock (as restated)	--	--	--	--	10,1
Comprehensive income:					
Net loss (as restated)	--	--	--	--	
Other comprehensive income, foreign currency translation adjustment	--	--	--	--	
Comprehensive loss (as restated)	--	--	--	--	
Balance, 12/31/02 (as restated)	3,038,507	$ 3,039	15,227,963	$ 15,228	$ 25,5

	Accumulated Deficit During Development Stage	Other Comprehensive Income	Treasury Stock Number of Shares	Treasury Stock Amount	Total Shareholders Equity (Deficit)
Uncompensated contribution of services - 3rd Qtr. (as restated)	$ --	$ --	--	$ --	$ 55
Issuance of common stock for services on 11/1/01	--	--	--	--	218
Uncompensated contribution of services - 4th Qtr. (as restated)	--	--	--	--	100
Net loss (as restated)	(1,652,004)	--	--	--	(1,652
Balance, 12/31/01 (as restated)	$ (4,284,551)	$ --	--	$ --	$ 1,052
Uncompensated contribution of services - 1st Qtr. (as restated)	--	--	--	--	100
Issuance of preferred stock for cash on 4/26/02	--	--	--	--	2,818
Issuance of preferred stock for cash on 5/16/02	--	--	--	--	2,773
Issuance of preferred stock for cash on 5/31/02	--	--	--	--	2,474
Issuance of preferred stock for cash on 6/28/02	--	--	--	--	713
Uncompensated contribution of services - 2nd Qtr. (as restated)	--	--	--	--	100
Issuance of preferred stock for cash on 7/15/02	--	--	--	--	233
Issuance of common stock for cash on 8/1/02	--	--	--	--	57
Issuance of warrants for services on 9/06/02	--	--	--	--	103
Uncompensated contribution of services - 3rd Qtr. (as restated)	--	--	--	--	100
Uncompensated contribution of services - 4th Qtr. (as restated)	--	--	--	--	100
Issuance of preferred stock for dividends	(502,661)	--	--	--	
Deemed dividend associated with beneficial conversion of preferred stock (as restated)	(10,178,944)	--	--	--	
Comprehensive income:					
Net loss (as restated)	(5,433,055)	--	--	--	(5,433
Other comprehensive income, foreign currency translation adjustment	--	13,875	--	--	13
Comprehensive loss (as restated)	--	--	--	--	(5,419

Balance, 12/31/02 (as restated)	$(20,399,211)	$ 13,875	--	$ --	$ 5,206

The accompanying notes are an integral part of these statements.

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

	For the Year Ended December 31,		
	2002	2001	2000
	(as restated)	(as restated)	(as restated)
Cash flows from operating activities			
Net loss	$ (5,433,055)	$ (1,652,004)	$ (807,076)
Adjustments to reconcile net loss to net cash used in operating activities:			
Common stock issued for services	157,704	788,970	35
Uncompensated contribution of services	400,000	155,556	--
Depreciation	99,812	15,368	16,333
Loss on sale of property and equipment	--	8,222	--
Change in operating assets and liabilities:			
Decrease (increase) in accounts receivable	(39,137)	1,288	10,717
Increase in other receivables	(153,583)	--	--
Increase (decrease) in inventory	(138,910)	--	14,646
Increase in prepaid expenses	(284,557)	--	--
Decrease (increase) in other assets	(115,507)	25,420	4,291
Increase (decrease) in accounts payable	1,673,040	59,932	(763)
Increase in accrued expenses	88,906	13,045	141,474
Increase (decrease) in deferred revenue	(222,726)	(80,000)	360,000
Net cash used in operating activities	(3,968,013)	(664,203)	(260,343)
Cash flows from investing activities			
Purchase of property and equipment	(2,252,368)	--	--
Proceeds from the sale of property and equipment	--	1,000	--
Net cash provided by (used in) operating activities	(2,252,368)	1,000	--

Cash flows from financing activities			
Proceeds from convertible debt	--	--	200,000
Proceeds from notes payable to shareholders	--	30,000	--
Proceeds from the issuance of preferred stock	9,012,722	--	--
Proceeds from the issuance of common stock	57,600	2,060,000	1,923
Merger and acquisition expenses	--	(48,547)	--
Repurchase of common stock	--	--	--
Net cash provided by financing activities	9,070,322	2,041,453	201,923

The accompanying notes are an integral part of these statements.

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

	For the Year Ended December 31,		
	2002	2001	2000
	(as restated)	(as restated)	(as restated)
Effect of exchange rate changes on cash balances	13,875	--	--
Net increase (decrease) in cash and cash equivalents	2,863,816	1,378,250	(58,420)
Cash and cash equivalents, beginning of period	1,380,824	2,574	60,994
Cash and cash equivalents, end of period	$ 4,244,640	$ 1,380,824	$ 2,574
Supplemental disclosures of cash flow information:			
Cash paid for interest	$ --	$ 1,020	$ 68,843
Deemed dividend associated with beneficial conversion of preferred stock	10,178,944	--	--
Preferred stock dividend	502,661	--	--
Common stock issued for services	157,704	788,970	35
Uncompensated contribution of services	400,000	155,556	--

The accompanying notes are an integral part of these statement.

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

NOTE 1 - BASIS OF PRESENTATION, BUSINESS AND ORGANIZATION

Isolagen, Inc. f/k/a American Financial Holding, Inc., a Delaware corporation ("Isolagen" or the "Company") is the parent company of Isolagen Technologies, Inc., a Delaware corporation and wholly-owned subsidiary of the Company ("Isolagen Technologies"). Isolagen Technologies is the parent company of Isolagen Europe Limited, a company organized under the laws of the United Kingdom and wholly-owned subsidiary of Isolagen Technologies ("Isolagen Europe"). Isolagen Technologies is the parent company of Isolagen Australia Pty Limited, a company organized under the laws of the Australia and wholly-owned subsidiary of Isolagen Technologies ("Isolagen Australia"). The common stock, par value $0.001 per share, of the Company ("Common Stock") is traded on the American Stock Exchange ("AMEX") under the symbol "ILE."

Isolagen is a Houston, Texas based biotechnology company which has developed a patented process for the propagation of autologous cells to be used to stimulate a patient's own collagen and elastin production (the "Isolagen Process"). Autologous cells are a patient's own cells taken from a small skin sample. From such sample millions of cells are grown and then injected into the patient to correct and reduce the normal effects of aging like wrinkles, laugh lines, smokers lines, fine lines and all types of depressed scars. The procedure is minimally invasive and non-surgical.

In 1995, Isolagen Technologies began treating a small percentage of patients with the Isolagen Process to correct defects (e.g., wrinkles, depressions and scarring) in the patient's face. Between 1995 and 1999, approximately 200 doctors utilized the Isolagen Process on approximately 963 patients with positive results. In 1997, the FDA began regulating the science of biologics. Biologics, in contrast to drugs that are chemically synthesized, are derived from living sources (such as humans, animals, and microorganisms) like the Isolagen Process. In 1995, when Isolagen Technologies began operations, the FDA had no regulations governing this area of biologics. After reviewing the new regulations and seeking the advice of consultants, Isolagen concluded that the use of the Isolagen Process in cosmetic applications did not require the approval of the FDA. In 1999, Isolagen Technologies filed a request for authorization from the FDA to administer an investigational drug or biological product to humans (referred to herein as an "IND"). Such authorization must be secured prior to commercialization of any new drug or biological product. The FDA placed the IND on clinical hold until Isolagen Technologies' manufacturing processes and procedures were changed to meet these new biologics standards, and FDA approval is obtained. In April 2002, the FDA released Isolagen's IND and clinical trial negotiations are underway.

As a result, a 397 patient retrospective study has been completed. The results demonstrated both safety and efficacy as Phase II data. Using Isolagen Technologies recently completed cGMP laboratory facility in Houston, Texas, several studies are taking place. These include: dosage management, dental application relating to gum and bone, cosmetic correction and scarring. They are operational under currently active INDs with the FDA. The Company anticipates that these INDs are scheduled for License Application (approval) by the FDA in

2003, although there can be no assurance that such approval will be obtained or obtained on a timely basis.

The Company's goal is to become the industry leader in the research, development and commercialization of the Isolagen Process and the use of autologous cellular systems ("ACS") which stimulate a patient's own collagen production. The Company is also pursuing, through Isolagen Europe, commercial operations in the UK and is pursuing commercial operations through subsidiaries, joint ventures or license arrangements in Australia, South Korea, Hong Kong, Brazil, Mexico and elsewhere. The Company is investigating regulatory and other requirements in these countries and evaluating markets and potential joint venture partners and licensees.

Through December 31, 2002, the Company has been primarily engaged in developing its initial product technology, recruiting personnel, commencing its UK operations and raising capital. In the course of its development activities, the Company has sustained losses and expects such losses to continue through at least 2003. The Company will finance its operations primarily through its existing cash, future financing and revenues.

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

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

As of December 31, 2002, the Company had a cash balance of $4,244,640. As of March 12, 2003, the Company had a cash balance of approximately $1.4 million. The Company does not have any credit facilities with which to fund ongoing working capital needs. As of March 12, 2003, the Company believes its existing cash and cash equivalents will be adequate to meet its anticipated capital and liquidity requirements until June 30, 2003. The Company needs to close a financing transaction within the next three months to have sufficient working capital until December 31, 2003. In the event such a financing transaction is not successful, the Company may need to pursue alternative funding sources such as temporary bridge financing to meet its cash flow needs or curtail its plan of operations to preserve its available cash for fiscal 2003. The long-term viability of the Company is dependent upon successful operation of its business and the ability to raise additional debt and equity within the near future.

Acquisition and merger

On August 10, 2001, Isolagen Technologies consummated a merger with American Financial Holdings, Inc. ("AFH") and Gemini IX, Inc. ("Gemini"). Pursuant to an Agreement and Plan of Merger, dated August 1, 2001, by and among AFH, ISO Acquisition Corp, a Delaware corporation and wholly-owned subsidiary of AFH ("Merger Sub"), Isolagen Technologies, a Delaware corporation, Gemini, a Delaware corporation, and William J Boss, Jr., Olga Marko and Dennis McGill, stockholders of Isolagen Technologies (the "Merger Agreement"), the Company acquired in a privately negotiated transaction 100% of the issued and outstanding capital stock of Isolagen Technologies. Pursuant to the terms of the Merger Agreement, Merger Sub, together with Gemini, merged with and into Isolagen Technologies (the "Merger"), and Isolagen Technologies was the surviving corporation of the Merger. AFH was a non-operating, public shell company with limited assets. Gemini was a non-operating private company with limited assets and was unaffiliated with AFH. Consequently, the substance of the merger transaction was a capital transaction rather than a business combination, similar to a reverse acquisition. The transaction was equivalent to the issuance of stock by Isolagen Technologies for the net assets of AFH and Gemini, accompanied by a recapitalization and private placement of common stock of AFH. The accounting is identical to that resulting from a reverse acquisition, except that no goodwill or other intangibles are recorded. The Company issued an aggregate of 9,756,372 shares of restricted common stock, par value $0.001 per share, of the Company ("Common Stock") as consideration for the Merger, to retire certain debts of Isolagen Technologies and in connection with certain bridge loans of Isolagen Technologies.

Prior to the Merger, Isolagen had no active business and was seeking funding to begin U.S. Food and Drug Administration ("FDA") trials of the Isolagen Process.

Simultaneous with the Merger, the Company sold 1,346,669 shares of restricted common stock to certain accredited investors in a private placement transaction. The consideration paid by such investors for the shares of Common Stock aggregated $2,020,000 in transactions exempt from the registration requirements of the Securities Act. The net cash proceeds of this private placement were used to fund Isolagen's research and development projects and the initial FDA trials of the Isolagen Process, to explore the viability of entering foreign markets, to provide working capital and for general corporate purposes. Additionally, $1,450,000 principal of Company debt and

approximately $625,000 of accrued liabilities were converted to equity. On November 13, 2001 the Company changed its name to Isolagen, Inc.

Basis of presentation

The financial statements presented include the consolidated balance sheet of Isolagen, Inc. and its wholly-owned subsidiaries at December 31, 2002 and 2001 and the consolidated statements of operations and cash flows for Isolagen, Inc. and its wholly-owned subsidiaries for the year ended December 31, 2002. The consolidated statements of operations and cash flows for the year

ended December 31, 2001 include Isolagen Technologies, Inc. for this period and Isolagen, Inc. for the period from August 10, 2001 through December 31, 2001. The consolidated statements of operations and cash flows for the year ended December 31, 2000 consists of the results of Isolagen Technologies, Inc. only. Therefore, the historical financial statements presented as of and for the year ended December 31, 2000 (prior to August 10, 2001) are the historical financial statements of Isolagen Technologies, Inc.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Restatement of financial statements

Subsequent to the issuance of the Company's financial statements as of December 31, 2002 and for the year then ended, the Company identified several errors that were required to be corrected in the previously reported financial statements. The principal reasons and effects of the adjustments are summarized below:

Beneficial Conversion Feature: During 2002, the Company completed a private placement of Series A Convertible Preferred Stock. Imbedded within the instruments was a beneficial conversion feature that was not recorded. Accordingly, the Company revised its financial statements as of December 31, 2002 and for the year then ended to record a deemed dividend to the holders of the preferred stock totaling $10,178,944. The Company's financial statements reflect an increase in the retained deficit and a corresponding increase in paid-in capital for this amount. The deemed dividend associated with the beneficial conversion is calculated as the difference between the fair value of the underlying common stock less the proceeds that have been received for the Series A Preferred Stock limited to the value of the proceeds received. Also, the Company has included preferred dividends accrued in 2002 totaling $502,661 in the computation of net loss attributable to common shareholders.

Contributed Services: During 2002 and 2001, the certain officers and directors of the Company were not compensated for a portion of their services provided to Company. The financial statements are to reflect the total cost of conducting its business which includes the value of contributed services. Accordingly, the Company has recorded contribution services from officers totaling $400,000 and $155,556 for the years ended December 31, 2002 and 2001, respectively. We estimated the value of the contributed services based upon our estimate of their fair market value. This contribution of services was recorded as an increase in compensation expense and an increase in additional paid in capital.

Weighted Average Shares Utilized in the Calculation Percentage Loss Per Share: Similar to a reverse merger, the weighted average shares outstanding utilized in the computation of earnings per share are to be adjusted to give effect as if the Merger transaction had occurred as of the beginning of the earliest year presented, similar to a stock split. For all years presented prior to the Merger, the weighted average shares outstanding were not adjusted to reflect the recapitalization as of the earliest period presented. Accordingly, the Company has retroactively restated its financial statements to the earliest period presented for the purposes of computing weighted average shares

outstanding and loss per share data.

Together these restatements changed the net loss per share from $0.36 to $1.06 for the year ended December 31, 2002, $0.20 to $0.14 for the year ended December 31, 2001, from $0.29 to $0.08 for the year ended December 31, 2000, and the cumulative from inception net loss per share has increased from $1.19 to $1.83.

Statement of cash flows

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

Concentration of credit risk

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

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

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

Inventory

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

Property and equipment

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

Earnings per share data

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

Shares of Isolagen Technologies common stock outstanding prior to the Merger were deemed converted to its equivalent shares of the Company's common stock using a conversion factor as defined in the Merger Agreement. Shares issued in conjunction with the Merger have been retroactively restated to the earliest period presented for the purpose of computing weighted average shares outstanding.

Stock-based compensation

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

In December 2002, the Financial Accounting Standards Board ("FASB") issued SFAS No. 148, "Accounting for Stock-Based Compensation-Transition and Disclosure". This statement provides guidance for those companies wishing to voluntarily change to the fair value based method of accounting for stock-based compensation. The statement also amends the disclosure requirements of Statement 123, requiring prominent disclosure in annual and interim financial statements regarding a company's method for accounting for stock-based employee compensation and the effect of the method on reported results. While Isolagen continues to utilize the disclosure-only provisions of SFAS No. 123, the Company has modified its disclosures to comply with the new statement. See Note 6.

Income taxes

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

Revenue recognition

The Company recognizes revenue from product sales when goods are shipped and the risk of loss transfers to the customer. Revenue from licenses

and other upfront fees are recognized on a ratable basis over the term of the respective agreement. Milestone payments are recognized upon successful completion of a performance milestone event. Any amounts received in advance of performance are recorded as deferred revenue. The Company recognizes revenue over the period the service is performed in accordance with SEC Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements" ("SAB 101"). SAB 101 requires that four basic criteria must be met before revenue can be recognized: (1) persuasive evidence of an arrangement exists, (2) delivery has occurred or services rendered, (3) the fee is fixed and determinable, and (4) collectibility is reasonably assured. We believe that all of these conditions are met at the time of shipment. Currently, three injections are recommended, although the decision to utilize one, two or three injections is between the attending physician and his/her patient. The amount invoiced is fixed and determinable and only varies among customers depending upon the number of injections requested. There is no performance provision under any arrangement with any doctor and there is no right to refund, or returns for unused injections.

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

Promotional incentives

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

The Company does not record any revenue related to 'at no charge' Isolagen Treatments and the cost to provide such treatments is expensed as incurred. The Company records any discounts granted as a reduction in

revenue (i.e.net revenue after discount) from that specific transaction. The Company believes this accounting treatment complies with Emerging Issues Task Force ("EITF")-01-09: Accounting for Consideration Given by a Vendor to a Customer (Including a Reseller of the Vendor's Products).

Foreign currency translation

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

Comprehensive income

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

Research and development expenses

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

Estimates

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

Recent accounting pronouncements

In December 2002, the Financial Accounting Standards Board ("FASB") issued SFAS No. 148, "Accounting for Stock-Based Compensation-Transition and Disclosure". This statement provides guidance for those companies wishing to voluntarily change to the fair value based method of accounting for stock-based compensation. The statement also amends the disclosure requirements of Statement 123, requiring prominent disclosure in annual and interim financial statements regarding a company's method for accounting for stock-based employee compensation and the effect of the method on reported results. While Isolagen continues to utilize the disclosure-only provisions of SFAS No. 123, the Company has modified its disclosures to comply with the new statement. See Note 6.

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment is comprised of:

	DECEMBER 31,	
	2002	2001
Lab equipment	$ 682,640	$ 52,454
Computer equipment	333,826	6,326
Office furniture and fixtures	20,536	
Leasehold improvements	1,274,146	--
	2,311,148	58,780
Less: Accumulated depreciation	(151,235)	(51,423)
Property and equipment, net	$ 2,159,913	$ 7,357

NOTE 4 - FEDERAL INCOME TAXES

The components of the Company's deferred tax assets at December 31, 2002 and 2001 are as follows:

	DECEMBER 31,	
	2002	2001
Deferred tax assets:		
Loss carryforwards	$ 4,467,456	$ 3,007,506
Deferred tax liabilities:		
Deferred revenue	(19,473)	(95,200)
	4,447,983	2,912,306
Less: Valuation allowance	(4,447,983)	(2,912,306)
	$ --	$ --

As of December 31, 2002, the Company had generated NOLs of approximately $13,100,000 available to reduce future income taxes. These carryforwards begin to expire in 2003. A change in ownership, as defined by federal income tax regulations, could significantly limit the Company's ability to utilize its carryforwards. Additionally, because federal tax laws limit the time during which the NOLs may be applied against future taxes, the Company may not be able to take full advantage of the NOLs to reduce future income taxes if it fails to generate taxable income prior to expiration of the NOLs. As the Company has had cumulative losses and there is no assurance of future taxable income, valuation allowances have been recorded to fully offset the deferred tax

asset at December 31, 2002 and 2001. The valuation allowance increased $1,535,677 during 2002 due to the Company's current period net loss.

NOTE 5 - COMMITMENTS AND CONTINGENCIES

Leases

During 2002, the Company entered into leases for office, warehouse and laboratory facilities in London, England and Sydney, Australia under third party non-cancelable operating leases through 2010. Future minimum lease commitments at December 31, 2002 are as follows:

YEAR ENDED DECEMBER 31	
2003	$ 226,150
2004	219,778
2005	149,684
2006	149,684
2007	149,684
Thereafter	636,154
Total	$ 1,531,134

For the year ended December 31, 2002, rental expense totaled $105,206.

Certain officers of the Company provide office space and laboratory facilities in Houston, Texas at no charge until August 2003. Beginning September 2003, the lease rate will be approximately $1.80 per month per square foot.

License agreement

Effective July 1, 2000, the Company granted exclusive rights to develop and market its technologies and products within Japan. Should the development efforts result in a marketable product, the Company will receive royalties based on product sales. Upon execution of the license agreement, the Company received an initial up-front fee of $400,000 which was deferred and will be recognized on a ratable basis over the five year term of the agreement in accordance with the terms of the agreement. For the years ended December 31, 2002, 2001 and 2000,

the Company recognized $40,000, $80,000 and $40,000, respectively, of contract revenues pursuant to this agreement.

During 2002, the Company began negotiations to revoke the license agreement. As a result, the Company reclassified to a payable the remaining deferred revenue totaling $240,000 and accrued an additional $160,000 in anticipation of a settlement totaling approximately $400,000. Thus, the entire amount of the initial up-front fee of $400,000 has been accrued as management's estimate of the amount necessary to satisfy the Company's obligation under the Agreement.

Employment agreements

The Company has entered into employment agreements with Olga Marko, William K. Boss, Jr., Brian Whitley, Robert E. Tompkins and Vaughan Clift.

Ms. Marko entered into an employment agreement with the Company, dated August 10, 2001, for a term of sixty months at an annual base salary of $130,000. The base salary shall increase on an annual basis by the same percentage that the Consumer Price Index has increased during the same time frame or at the direction of the Board of Directors, whichever is higher. Mrs. Marko is eligible for an annual bonus to be determined by the Board of Directors in its sole discretion. If the employment agreement is terminated by the Company without cause, Mrs. Marko will be entitled to a twelve month severance payment.

Dr. Boss entered into an employment agreement with the Company, dated August 10, 2001, and later amended on February 28, 2002 as follows: (a) during the first year of the term, Dr. Boss will receive 60,000 shares of Common Stock; (b) an annual salary of $50,000 for 2002; and (c) an annual salary of $60,000 for 2003. For this compensation, Dr. Boss agrees to devote 25 mutually agreeable days per year as requested by the Company (i.e., out-of-town meetings, etc.). If the employment agreement is terminated by the Company without cause, Dr. Boss will be entitled to a three-month severance payment.

Mr. Whitley entered into an employment agreement with the Company, dated September 1, 2001, for a term of sixty (60) months at an annual base salary as follows: (a) $4,000 per month for September 2001 through December 2001; and (b) $10,000 per month for months subsequent to December 31, 2001. Mr. Whitley is eligible for an annual bonus to be determined by the Board of Directors in its sole discretion. If the employment agreement is terminated by the Company without cause, Mr. Whitley will be entitled to a three month severance payment. Mr. Whitley left the employment of the Company in March 2003.

Mr. Tompkins entered into an employment agreement with the Company, dated September 17, 2001, for a term of thirty-six (36) months at an annual base salary of $90,000. Mr. Tompkins is eligible for an annual bonus to be determined by the Board of Directors in its sole discretion. If the employment agreement is terminated by the Company without cause, Mr. Tompkins will be entitled to a two month severance payment. Mr. Tompkins left the employment of the Company in September 2002. All amounts related to his separation of employment are reflected in the 2002 statement of operations.

Mr. Clift entered into an employment agreement with the Company, dated May 28, 2002, for a term of thirty-six (36) months at an annual base salary of $175,500. Mr. Clift is eligible for an annual bonus to be determined by the Board of Directors in its sole discretion. If the employment agreement is terminated by the Company without cause, Mr. Clift will be entitled to a two (2) month severance payment.

Consulting agreement

Effective August 20, 2001, the Company entered into an agreement with Cato Research Ltd. to provide drug development, regulatory advisory and other services. Pursuant to the terms of the agreement, the Company issued 133,333 shares of restricted common stock with an assigned value of $200,000 as a retainer fee, which was capitalized as a prepaid expense. As services are rendered, 80% of the invoiced amount is payable in cash with the remaining 20% payable through a reduction in the retainer fee. At December 31, 2002 and 2001, $120,350 and $174,666, respectively, was capitalized as other assets related to

this agreement.

In addition, the agreement includes a special incentive performance arrangement. In the event the Company receives FDA approval on or before August 20, 2003 as a result of the consulting services, the Company will issue 250,000 restricted common shares as an incentive bonus. If the regulatory approval is received after August 20, 2003, but before February 20, 2004, the Company will issue 100,000 restricted shares as an incentive bonus. On August 19, 2002, the agreement was amended to revoke the special incentive performance arrangement.

SEC enforcement

On October 9, 1996, the Company was advised by the Enforcement Division of the Securities and Exchange Commission (the "Commission") that it is considering recommending that the Commission bring an enforcement action, which could include a civil penalty, against the Company in U.S. District Court for failing to file timely periodic reports in violation of Section 13(a) of the Securities and Exchange Act of 1934 and the rules thereunder.

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

NOTE 6 - EQUITY, STOCK PLAN AND WARRANTS

Uncompensated contributed services

From the date of the Merger through December 31, 2002, the Company has not paid compensation to certain officers and directors. Accordingly, the Company has capitalized the estimated fair value of these services. The uncompensated contributed services totaled $400,000 and $155,556 for the years ended December 31, 2002 and 2001, respectively. We estimated the value of the contributed services based upon our estimate of their fair market value. This contribution of services was recorded as an increase to compensation expense and increase in additional paid in capital.

Equity instruments issued to non-employees

From time to time, in order to preserve cash and to fund operating activities of the Company, common stock or other equity instruments may be issued for cash or in exchange for goods or services. Equity instruments issued for goods or services are recorded at the fair value of the goods or services

received or the fair value of the equity instruments issued, whichever is more reliably measurable.

As referred to in Note 1, the Company became a publicly traded enterprise as a result of the Merger. Noncash transactions involving the issuance of equity instruments prior to the Merger were recorded at the fair value of the goods or services received, while transactions occurring after the Merger were recorded at the fair value of the equity instruments issued, which were determined based on quoted market prices.

Series A Convertible Preferred Stock

In July 2002, the Company completed a private offering of 2,895,000 shares of Series A Convertible Preferred Stock, par value $0.001 per share, at an offering price of $3.50 per share. Each share of Series A Preferred Stock is convertible into two shares of common stock at any time after issuance and accrues dividends at 8% per annum payable in cash or additional shares of Series A Preferred Stock. In conjunction with the private offering, the Company issued to the placement agent warrants to purchase 1,158,000 shares of common stock with an exercise price of $1.93 per share. The warrants are exercisable immediately after grant and expire five years thereafter.

The fair market of the warrants granted to the placement agent, based on the Black-Scholes valuation model, is estimated to be $1.57 per warrant, assuming the following: no dividend yield, a risk-free interest rate of

4%, an expanded term of the warrants of 2 years, and an expected volatility of 129%. The value of the warrants granted has been offset against the proceeds received from the sale of the Series A Preferred Stock.

During the year ended December 31, 2002, the Company issued an additional 143,507 shares of Series A Preferred Stock in lieu of cash for payment of dividends on the Series A Preferred Stock totaling $502,661.

The price of the preferred stock sold was $3.50 per share. The market value of the Company's common stock sold on the dates that the preferred stock sold or was issued as a dividend had a range of $2.30 - $5.40 per common share. In accordance with EITF 00-27 this created a beneficial conversion to the holders of the preferred stock and a deemed dividend to the preferred stockholders totaling $10,178,944 was recorded by the Company with a corresponding amount recorded as additional paid-in capital. The deemed dividend associated with the beneficial conversion is calculated as the difference between the fair value of the underlying common stock less the proceeds that have been received for the Series A Preferred Stock limited to the value of the proceeds received.

2001 Stock Option and Stock Appreciation Rights Plan

Effective August 10, 2001, the Company adopted the Isolagen, Inc. 2001 Stock Option and Stock Appreciation Rights Plan (the "Stock Plan"). The Stock Plan is discretionary and allows for an aggregate of up to 5,000,000 shares of the Company's common stock to be awarded through incentive and non-qualified stock options and stock appreciation rights. The Stock Plan is administered by the Company's Board of Directors, who has exclusive discretion to select participants who will receive the awards and to determine the type, size and terms of each award granted.

As allowed by SFAS No. 123, "Accounting for Stock-Based Compensation", the Company has elected to continue to follow Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees", in accounting for its Stock Plan. Under APB No. 25, the Company does not recognize compensation expense on the issuance of its stock options because the terms are fixed and the exercise price equals or exceeds the fair market value of the underlying stock on the grant date.

Information regarding the options and warrants granted in 2002 and 2001 is as follows:

	OPTIONS, YEAR ENDED DECEMBER 31,		WARRANTS, YEAR ENDED DECEMBER 31	
	2002	2001	2002	2001
Outstanding, beginning of year	3,792,500	--	450,000	-
Granted	698,000	3,792,500	1,533,000	450,00
Exercised	(38,400)	--	--	-
Expired or cancelled	(200,000)	--	(450,000)	-
Outstanding, end of year	4,252,100	3,792,500	1,533,000	450,00
Exercisable, end of year	458,017	4,167	1,243,000	-
Available for grant, end of year	509,500	1,207,500		

The weighted average and warrant exercise price information for 2002 and 2001 is as follows:

	OPTIONS, YEAR ENDED DECEMBER 31,		WARRANTS YEAR ENDED DECEMB	
	2002	2001	2002	
Outstanding, beginning of year	$ 2.70	$ --	$ 1.50	$
Granted during the year	$ 6.07	$ 2.70	$ 1.93	$
Exercised during the year	$ 1.50	$ --	$ --	$
Expired or cancelled during the year	$ 1.50	$ --	$ 1.50	$
Outstanding at end of year	$ 5.08	$ 2.70	$ 2.05	$
Exercisable at end of year	$ 2.08	$ --	$ 1.94	$

Significant option and warrant groups outstanding at December 31, 2002, and related weighted average exercise price and life information is as follows:

GRANT DATE	OPTIONS OUTSTANDING	WARRANTS OUTSTANDING	EXERCISABLE	WEIGHTED EXERCISE PRICE	REMA LIFE
September 2001	2,975,000	--	124,750	$ 5.47	8
September 2001	61,600	--	61,600	$ 1.50	8
October 2001	340,000	--	140,000	$ 1.50	8
November 2001	117,500	--	71,667	$ 2.40	8
December 2001	60,000	--	60,000	$ 3.57	8
May 2002	100,000	--	--	$ 6.00	9
May 2002	112,000	--	--	$ 6.00	9
May 2002	150,000	--	--	$ 6.00	9
June 2002	20,000	--	--	$ 6.00	9
June 2002	96,000	--	--	$ 6.50	9
July 2002	--	1,158,000	1,158,000	$ 1.93	4
September 2002	--	375,000	75,000	$ 2.43	10
November 2002	100,000	--	--	$ 6.00	9
December 2002	100,000	--	--	$ 6.00	9
December 2002	20,000	--	--	$ 6.00	9

The weighted average fair value at date of grant for options and warrants granted during 2002 and 2001 was $3.96 and $1.12, respectively, per option. The fair value of options at date of grant was estimated using the Black-Scholes model with the following weighted average assumptions:

	YEAR ENDED DECEMBER 31,	
	2002	2001
Expected life (years)	6 years	6 years
Interest rate	4%	4%
Dividend yield	--	--
Forfeiture rate	5%	5%
Volatility	129%	98%

Had compensation costs for the Company's stock option plan been determined based on the fair value at the grant date in 2002 and 2001 consistent with the provisions of SFAS No. 123, the Company's net loss and net loss per share would have increased to the pro forma amounts indicated below:

	YEAR ENDED DECEMBER 31,	
	2002	2001

Net loss - as reported	$ (5,433,055)	$ (1,652,004)
Net loss - pro forma	$ (6,441,617)	$ (1,801,568)
Net loss per share - as reported		
Basic and diluted	$ (.36)	$ (.14)
Net loss per share - pro forma		
Basic and diluted	$ (.42)	$ (.15)

NOTE 7 - CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

On January 22, 2001, the Company, then known as American Financial Holding, Inc. entered into a purchase agreement (the "Purchase Agreement") with Alyda Macaluso, Laura Avignon, and Lighthouse Capital Insurance Co. whereby the Company issued 15,000,000 shares of common stock (pre-split) and issued $150,000 of promissory notes to the purchasers for $300,000 in cash. Under the terms of the Purchase Agreement, the Company obtained shareholder approval for a 21:4 reverse stock split, which resulted in the 4,279,449 shares of common stock outstanding at December 31, 2000 being consolidated into 199,974 post-split shares. In addition, the 15,000,000 pre-split shares of common stock issued to the purchasers were consolidated into 700,935 post split shares and the $150,000 promissory notes were automatically converted into 2,299,065 post-split shares of common stock; thus bringing the total interest in the Company held by the purchasers to 3,000,000 post-split shares of common stock. Accordingly, the Purchase Agreement resulted in a change in control of the Company.

On August 10, 2001, the Company acquired Isolagen Technologies through the merger of its wholly-owned subsidiary, Isolagen Acquisition Corp., a Delaware corporation ("Merger Sub"), and an affiliated entity, Gemini IX, Inc., a Delaware corporation ("Gemini"), with and into Isolagen Technologies (the "Merger"). As a result of the Merger, Isolagen Technologies became a wholly-owned subsidiary of the Company. Simultaneously with the Merger, the Company issued 1,346,669 shares, at $1.50 per share, of the Company's restricted common stock to Timothy J. Till, Michael Avignon, Michael Macaluso, and BASR Partnership for consideration totaling $2,020,000 in a private placement and converted $1,450,000 principal amount of Company debt and approximately $625,000 of accrued liabilities of the Company to equity. On November 13, 2001, the Company changed its name to Isolagen, Inc.

NOTE 8 - SUBSEQUENT EVENTS

Additional financing

The Company has adopted a plan of financing in order to raise additional capital.

2003 Stock Option and Appreciation Rights Plan

On January 29, 2003, the Company's Board of Directors approved the 2003 Stock Option and Appreciation Rights Plan (the "2003 Stock Plan"). The 2003 Stock Plan is discretionary and allows for an aggregate of up to 2,500,000 shares of the Company's common stock to be awarded through incentive and non-qualified stock options and stock appreciation rights. The 2003 Stock Plan is administered by the Company's Board of Directors which has exclusion discretion to select participants who will receive the awards and to determine

the type, size and terms of each award granted. The 2003 Stock Plan is subject to approval by a vote of the Company's stockholders at their next annual meeting.

Stock options

On February 25, 2003, the Company issued to certain officers options to purchase 920,000 shares of the of the Company's common stock at an exercise price of $4.50 per share. The options vest equally over a two year period from the grant date.

Intellectual property purchase agreement

Subsequent to December 31, 2002, the Company entered into an Intellectual Property Purchase Agreement to acquire two pending patent applications. As consideration, the Company issued the seller 100,000 shares of its Common Stock and royalty equal to (a) 5% of all revenues recognized by the Company or its Affiliates from commercial application of the Intellectual Property made, provided, distributed, sold or manufactured directly by the Company or its Affiliates, or (b) 25% of all revenues recognized by the Company or its Affiliates from licensing, sublicensing, transferring or selling the Intellectual Property to a third party, without offset or deduction for general and administrative or operating costs, subject to a total maximum royalty of $2 million.

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

	June 30, 2003
	(unaudited) (as restated)
ASSETS	
Current assets	
Cash and cash equivalents	$ 3,292,242
Accounts receivable, net of allowance for doubtful accounts	59,177
Inventory	264,288
Other receivables	99,011
Prepaid expenses	256,902
Total current assets	3,971,620
Property and equipment, net	2,848,007
Intangible assets	540,000
Other assets	143,063
Total assets	$ 7,502,690
LIABILITIES AND SHAREHOLDERS' EQUITY	

Current liabilities	
Accounts payable	$ 1,538,004
Accrued expenses	743,975
Deferred revenue	271,531
Total current liabilities	2,553,510
Total liabilities	2,553,510
Commitments and contingencies	
Shareholders' equity (deficit)	
Preferred stock, $.001 par value; 5,000,000 shares authorized:	
Preferred Stock - Series A $.001 par value; 3,500,000 shares authorized; 2,967,553 and 3,038,507 shares issued and outstanding at June 30, 2003 and December 31, 2002, respectively	2,967
Preferred Stock - Series B $.001 par value; 200,000 shares authorized; 155,750 shares issued and outstanding	156
Common stock, $.001 par value; 50,000,000 shares authorized; 15,571,841 and 15,227,963 shares issued and outstanding at June 30, 2003 and December 31, 2002, respectively	15,572
Additional paid-in capital	31,491,171
Other comprehensive income	124,970
Accumulated deficit during development stage	(26,685,656)
Total shareholders' equity (deficit)	4,949,180
Total liabilities and shareholder's equity	$ 7,502,690

The accompanying notes are an integral part of these statements.

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

	Six Months Ended June 30,	
	2003	2002
	(as restated)	(as restated)
Revenues		
Sales	$ 79,796	$ 2,518
License fees	--	40,000
Total revenues	79,796	42,518
Cost of sales	48,861	--

Gross profit	30,935	42,518
Selling, general and administrative expenses	3,523,056	1,474,109
Research and development	1,204,538	647,354
Operating loss	(4,696,659)	(2,078,945)
Other income (expense)		
Interest income	10,620	19,063
Other income	55,663	32,421
Loss on disposal of asset	--	--
Interest expense	--	--
Net loss	$ (4,630,376)	$ (2,027,461)
Deemed dividend associated with beneficial conversion of preferred stock	(1,244,880)	(9,594,052)
Preferred stock dividends	(411,189)	(94,906)
Net loss attributable to common stockholders	$ (6,286,445)	$ (11,716,419)
Per share information		
Net loss - basic and diluted	(0.30)	(0.13)
Deemed dividend associated with beneficial conversion of preferred stock	(.08)	(.63)
Preferred stock dividends	(.03)	(.01)
Net loss common share - basic and diluted	$ (.41)	$ (.77)
Weighted average number of basic and diluted common shares outstanding	15,348,709	15,189,563

The accompanying notes are an integral part of these statements.

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

	Three Months Ended June 30,	
	2003	2002
	(as restated)	(as restated)
Revenues		
Sales	$ 79,425	--
License fees	--	20,000
Total revenues	79,425	20,000
Cost of sales	47,867	--
Gross profit	31,558	20,000
Selling, general and administrative expenses	1,862,566	925,597

Research and development	613,457	422,272
Operating loss	(2,444,465)	(1,327,869)
Other income (expense)		
Interest income	3,190	14,525
Other income	--	32,421
Interest expense	--	--
Net loss	$ (2,441,275)	$ (1,280,923)
Deemed dividend associated with the beneficial conversion of perferred stock	(1,244,880)	(9,594,052)
Preferred stock dividends	(201,450)	(94,506)
Net loss attributable to common shareholders	$ (3,887,605)	$ (10,869,481)
Per share information		
Net loss - basic and diluted	(0.16)	(0.08)
Deemed dividend associated with the beneficial conversion of preferred stock	(.08)	(.63)
Preferred stock dividend	(.01)	(.01)
Net loss per common share - basic and diluted	$ (.25)	$ (.72)
Weighted average number of basic and diluted common shares outstanding	15,343,047	15,189,563

The accompanying notes are an integral part of these statements.

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

	Series A Preferred Stock		Series B Preferred Stock		
	Number of Shares	Amount	Number of Shares	Amount	Nu o Sh
Issuance of common stock for cash on 12/28/95	--	$ --	--	$ --	82
Issuance of common stock for cash on 11/7/96	--	--	--	--	
Issuance of common stock for cash on 11/29/96	--	--	--	--	
Issuance of common stock for cash on 12/19/96	--	--	--	--	
Issuance of common stock for cash on 12/26/96	--	--	--	--	
Net loss	--	--	--	--	
Balance, 12/31/96	--	$ --	--	$ --	83

Issuance of common stock for cash on 12/27/97	--	--	--	--	
Issuance of common stock for Services on 9/1/97	--	--	--	--	
Issuance of common stock for Services on 12/28/97	--	--	--	--	10
Net loss	--	--	--	--	
Balance, 12/31/97	--	$ --	--	$ --	94

	Accumulated Deficit During Development Stage	Other Comprehensive Income	Treasury Stock Number of Shares	Treasury Stock Amount	To Share Equ (Def
Issuance of common stock for cash on 12/28/95	$ --	$ --	--	$ --	$
Issuance of common stock for cash on 11/7/96	--	--	--	--	5
Issuance of common stock for cash on 11/29/96	--	--	--	--	1
Issuance of common stock for cash on 12/19/96	--	--	--	--	3
Issuance of common stock for cash on 12/26/96	--	--	--	--	5
Net loss	(270,468)	--	--	--	(27
Balance, 12/31/96	$(270,468)	$ --	--	$ --	$ (12
Issuance of common stock for cash on 12/27/97	--	--	--	--	9
Issuance of common stock for Services on 9/1/97	--	--	--	--	3
Issuance of common stock for Services on 12/28/97	--	--	--	--	1
Net loss	(52,550)	--	--	--	(5
Balance, 12/31/97	$(323,018)	$ --	--	$ --	$ (4

The accompanying notes are an integral part of these statements.

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

	Series A Preferred Stock Number of Shares	Series A Preferred Stock Amount	Series B Preferred Stock Number of Shares	Series B Preferred Stock Amount	Num of Shar

Issuance of common stock for cash on 8/23/98	--	$ --	--	$ --	
Repurchase of common stock on 9/29/98	--	--	--	--	
Net loss	--	--	--	--	
Balance, 12/31/98	--	$ --	--	$ --	94,
Issuance of common stock for cash on 9/10/99	--	--	--	--	1,
Net loss	--	--	--	--	
Balance, 12/31/99	--	$ --	--	$ --	96,
Issuance of common stock for cash on 1/18/00	--	--	--	--	1,
Issuance of common stock for Services on 3/1/00	--	--	--	--	2,
Issuance of common stock for Services on 4/4/00	--	--	--	--	
Net loss	--	--	--	--	
Balance, 12/31/00	--	$ --	--	$ --	102,

	Accumulated Deficit During Development Stage	Other Comprehensive Income	Treasury Stock Number of Shares	Treasury Stock Amount	Sh
Issuance of common stock for cash on 8/23/98	$ --	$ --	--	$ --	$
Repurchase of common stock on 9/29/98	--	--	2,400	(50,280)	
Net loss	(195,675)	--	--	--	
Balance, 12/31/98	$ (518,693)	$ --	2,400	$(50,280)	$
Issuance of common stock for cash on 9/10/99	--	--	--	--	
Net loss	(1,306,778)	--	--	--	(1
Balance, 12/31/99	$(1,825,471)	$ --	2,400	$(50,280)	$(1
Issuance of common stock for cash on 1/18/00	--	--	--	--	
Issuance of common stock for Services on 3/1/00	--	--	--	--	
Issuance of common stock for Services on 4/4/00	--	--	--	--	
Net loss	(807,076)	--	--	--	
Balance, 12/31/00	$(2,632,547)	$ --	2,400	$(50,280)	$(2

The accompanying notes are an integral part of these statements.

Consolidated Statements of Shareholders' Equity (Continued)
(as restated)

	Series A Preferred Stock		Series B Preferred Stock		Com
	Number of Shares	Amount	Number of Shares	Amount	Number of Shares
Issuance of common stock for services on 7/1/01	--	$ --	--	$ --	5,632
Issuance of common stock for services on 7/1/01	--	--	--	--	4,485
Issuance of common stock for capitalization of accrued salaries on 8/10/01	--	--	--	--	2,512
Issuance of common stock for conversion of convertible debt on 8/10/01	--	--	--	--	62,791
Issuance of common stock for conversion of convertible shareholder notes payable on 8/10/01	--	--	--	--	7,498
Issuance of common stock for bridge financing on 8/10/01	--	--	--	--	10,776
Reverse acquisition and recapitalization effective 8/10/01	--	--	--	--	13,100,217
Issuance of common stock for cash on 8/10/01	--	--	--	--	1,346,669
Issuance of common stock for services on 8/10/01	--	--	--	--	60,000
Issuance of common stock for cash on 8/28/01	--	--	--	--	26,667
Issuance of common stock for services on 9/30/01	--	--	--	--	314,370

	Accumulated Deficit During Development Stage	Other Comprehensive Income	Treasury Stock		S
			Number of Shares	Amount	
Issuance of common stock for services on 7/1/01	$ --	$ --	--	$ --	$
Issuance of common stock for services on 7/1/01	--	--	--	--	
Issuance of common stock for capitalization of accrued salaries					

on 8/10/01	--	--	--	--	
Issuance of common stock for conversion of convertible debt on 8/10/01	--	--	--	--	1
Issuance of common stock for conversion of convertible shareholder notes payable on 8/10/01	--	--	--	--	
Issuance of common stock for bridge financing on 8/10/01	--	--	--	--	
Reverse acquisition and recapitalization effective 8/10/01	--	--	(2,400)	50,280	
Issuance of common stock for cash on 8/10/01	--	--	--	--	2
Issuance of common stock for services on 8/10/01	--	--	--	--	
Issuance of common stock for cash on 8/28/01	--	--	--	--	
Issuance of common stock for services on 9/30/01	--	--	--	--	

The accompanying notes are an integral part of these statements.

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

	Series A Preferred Stock		Series B Preferred St	
	Number of Shares	Amount	Number of Shares	Amoun
Uncompensated contribution of services - 3rd quarter (as restated)	--	$ --	--	$ --
Issuance of common stock for services on 11/1/01	--	--	--	--
Uncompensated contribution of services - 4th quarter (as restated)	--	--	--	--
Net loss (as restated)	--	--	--	--
Balance, 12/31/01 (as restated)	--	$ --	--	$ --
Uncompensated contribution of services - 1st quarter (as restated)	--	--	--	--
Issuance of preferred stock for cash on 4/26/02	905,000	905	--	--
Issuance of preferred stock for cash on 5/16/02	890,250	890	--	--
Issuance of preferred stock for cash on 5/31/02	795,000	795	--	--
Issuance of preferred stock				

for cash on 6/28/02	229,642	230	--	--
Uncompensated contribution of services - 2nd quarter (as restated)	--	--	--	--
Issuance of preferred stock for cash on 7/15/02	75,108	75	--	--
Issuance of common stock for cash on 8/1/02	--	--	--	--
Issuance of warrants for services on 9/06/02	--	--	--	--
Uncompensated contribution of services - 3rd quarter (as restated)	--	--	--	--
Uncompensated contribution of services - 4th quarter (as restated)	--	--	--	--
Issuance of preferred stock for dividends	143,507	144	--	--
Deemed dividend associated with beneficial conversion of preferred stock (as restated)	--	--	--	--
Comprehensive income: Net loss (as restated)	--	--	--	--
Other comprehensive income, foreign currency translation adjustment	--	--	--	--
Comprehensive loss (as restated)	--	--	--	--
Balance, 12/31/02 (as restated)	3,038,507	$ 3,039	--	$ --

	Additional Paid-In Capital	Accumulated Deficit During Development Stage	Other Comprehensive Income
Uncompensated contribution of services - 3rd quarter (as restated)	$ 55,556	$ --	$ --
Issuance of common stock for services on 11/1/01	218,754	--	--
Uncompensated contribution of services - 4th quarter (as restated)	100,000	--	--
Net loss (as restated)	--	(1,652,004)	--
Balance, 12/31/01 (as restated)	$ 5,321,761	$ (4,284,551)	$ --
Uncompensated contribution of services - 1st quarter (as restated)	100,000	--	--
Issuance of preferred stock for cash on 4/26/02	2,817,331	--	--
Issuance of preferred stock for cash on 5/16/02	2,772,239	--	--
Issuance of preferred stock for cash on 5/31/02	2,473,380	--	--
Issuance of preferred stock for cash on 6/28/02	712,991	--	--
Uncompensated contribution of services - 2nd quarter (as restated)	100,000	--	--
Issuance of preferred stock for cash on 7/15/02	233,886	--	--
Issuance of common stock for cash on 8/1/02	57,562	--	--
Issuance of warrants for services on 9/06/02	103,388	--	--

Uncompensated contribution of services - 3rd quarter (as restated)	100,000	--	--
Uncompensated contribution of services - 4th quarter (as restated)	100,000	--	--
Issuance of preferred stock for dividends	502,517	(502,661)	--
Deemed dividend associated with beneficial conversion of preferred stock (as restated)	10,178,944	(10,178,944)	--
Comprehensive income:			
Net loss (as restated)	--	(5,433,055)	--
Other comprehensive income, foreign currency translation adjustment	--	--	13,875
Comprehensive loss (as restated)	--	--	--
Balance, 12/31/02 (as restated)	$25,573,999	$(20,399,211)	$(13,875)

	Treasury Stock		Total Shareholders' Equity (Deficit)
	Number of Shares	Amount	
Uncompensated contribution of services - 3rd quarter (as restated)	--	$ --	$ 55,556
Issuance of common stock for services on 11/1/01	--	--	218,900
Uncompensated contribution of services - 4th quarter (as restated)	--	--	100,000
Net loss (as restated)	--	--	(1,652,004)
Balance, 12/31/01 (as restated)	--	$ --	$ 1,052,400
Uncompensated contribution of services - 1st quarter (as restated)	--	--	100,000
Issuance of preferred stock for cash on 4/26/02	--	--	2,818,236
Issuance of preferred stock for cash on 5/16/02	--	--	2,773,129
Issuance of preferred stock for cash on 5/31/02	--	--	2,474,175
Issuance of preferred stock for cash on 6/28/02	--	--	713,221
Uncompensated contribution of services - 2nd quarter (as restated)	--	--	100,000
Issuance of preferred stock for cash on 7/15/02	--	--	233,961
Issuance of common stock for cash on 8/1/02	--	--	57,600
Issuance of warrants for services on 9/06/02	--	--	103,388
Uncompensated contribution of services - 3rd quarter (as restated)	--	--	100,000
Uncompensated contribution of services - 4th quarter (as restated)	--	--	100,000
Issuance of preferred stock for dividends	--	--	--
Deemed dividend associated with beneficial conversion of preferred stock (as restated)	--	--	--

Comprehensive income:			
Net loss (as restated)	--	--	(5,433,055)
Other comprehensive income, foreign currency translation adjustment	--	--	13,875
Comprehensive loss (as restated)	--	--	(5,419,180)
Balance, 12/31/02 (as restated)	--	$ --	$ 5,206,930

The accompanying notes are an integral part of these statements.

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

	Series A Preferred Stock		Series B Preferred Stock		
	Number of Shares	Amount	Number of Shares	Amount	
Issuance of common stock for cash on 1-7-03	--	--	--	--	
Issuance of common stock for patent pending acquisition on 3/31/03	--	--	--	--	
Cancellation of common stock on 3/31/03	--	--	--	--	
Uncompensated contribution of services - 1st quarter (as restated)	--	--	--	--	
Issuance of preferred stock for cash on 5/9/03	--	--	110,250	110	
Issuance of preferred stock for cash on 5/16/02	--	--	45,500	46	
Conversion of preferred stock into common stock- 2nd qtr	(70,954)	(72)	--	--	
Conversion of warrants into common stock- 2nd qtr	--	--	--	--	
Uncompensated contribution of services - 2nd quarter (as restated)	--	--	--	--	
Issuance of preferred stock for dividends	--	--	--	--	
Deemed dividend associated with beneficial conversion of preferred stock	--	--	--	--	
Comprehensive income:					
Net loss (as restated)	--	--	--	--	
Other comprehensive income, foreign currency translation adjustment	--	--	--	--	

Comprehensive loss (as restated)	--	--	--	--	
Balance, 6/30/03 (as restated)	2,967,553	$2,967	155,750	$ 156	15

	Accumulated Deficit During Development Stage	Other Comprehensive Income	Treasury Stock Number of Shares	Treasury Stock Amount	T Share Eq (De
Issuance of common stock for cash on 1-7-03	--	--	--	--	
Issuance of common stock for patent pending acquisition on 3/31/03	--	--	--	--	
Cancellation of common stock on 3/31/03	--	--	--	--	(
Uncompensated contribution of services - 1st quarter (as restated)	--	--	--	--	
Issuance of preferred stock for cash on 5/9/03	--	--	--	--	2,
Issuance of preferred stock for cash on 5/16/02	--	--	--	--	1,
Conversion of preferred stock into common stock - 2nd qtr	--	--	--	--	
Conversion of warrants into common stock - 2nd qtr	--	--	--	--	
Uncompensated contribution of services - 2nd quarter (as restated)	--	--	--	--	
Issuance of preferred stock for dividends	(411,189)	--	--	--	(
Deemed dividend associated with beneficial conversion of preferred stock	(1,244,880)	--	--	--	
Comprehensive income:					
Net loss (as restated)	(4,630,376)	--	--	--	(4,
Other comprehensive income, foreign currency translation adjustment	--	111,095	--	--	
Comprehensive loss (as restated)	--	--	--	--	(4,
Balance, 6/30/03 (as restated)	$(26,685,656)	$124,970	--	$ --	$4,

The accompanying notes are an integral part of these statements.

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

	Six Months Ended June 30,	
	2003	2002
	(as restated)	(as restated)
Cash flows from operating activities		
Net loss	$ (4,630,376)	$ (2,027,461)
Adjustments to reconcile net loss to net cash used in operating activities:		
Common stock issued for services	--	43,573
Uncompensated contribution of services	200,000	200,000
Depreciation	357,077	8,918
Loss on sale of property and equipment	--	--
Change in operating assets and liabilities:		
(Increase) in accounts receivable	(18,973)	(32,392)
(Increase) decrease in other receivables	54,572	--
(Increase) in inventory	(125,378)	--
(Increase) decrease in prepaid expenses	27,655	--
Increase (decrease) in other assets	92,794	(18,443)
Increase (decrease) in accounts payable	(343,232)	94,681
Increase in accrued expenses	220,519	134,880
Increase (decrease) in deferred revenue	214,257	(40,000)
Net cash used in operating activities	(3,951,085)	(1,636,244)
Cash flows from investing activities		
Purchase of property and equipment	(1,045,170)	(86,327)
Proceeds from the sale of property and equipment	--	--
Net cash used in investing activities	(1,045,170)	(86,327)
Cash flows from financing activities		
Proceeds from the issuance of preferred stock	3,919,078	8,778,762
Proceeds from convertible debt	--	--
Proceeds from notes payable to shareholders	--	--
Proceeds from the issuance of common stock	92,400	--
Merger and acquisition expenses	--	--
Repurchase of common stock	--	--
Net cash provided by financing activities	4,011,478	8,778,762
Effect of exchange rate changes on cash balance	32,379	477
Net increase (decrease) in cash and cash equivalents	(952,398)	7,056,668
Cash and cash equivalents, beginning of period	4,244,640	1,380,824
Cash and cash equivalents, end of period	$ 3,292,242	$ 8,437,492
Supplemental disclosures of cash flow information:		
Cash paid for interest	$ --	$ --

Deemed dividend associated with beneficial conversion of preferred stock	1,244,880	9,594,052
Preferred stock dividend	411,189	94,906
Common stock issued for services	--	43,573
Uncompensated contribution of services	200,000	200,000

The accompanying notes are an integral part of these statements.

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

NOTE 1 - BASIS OF PRESENTATION, BUSINESS AND ORGANIZATION

Isolagen, Inc. f/k/a American Financial Holding, Inc., a Delaware corporation ("Isolagen" or the "Company") is the parent company of Isolagen Technologies, Inc., a Delaware corporation and wholly-owned subsidiary of the Company ("Isolagen Technologies"). Isolagen Technologies is the parent company of Isolagen Europe Limited ("Isolagen Europe"), a company organized under the laws of the United Kingdom and wholly-owned subsidiary of Isolagen Technologies. Isolagen Technologies is the parent company of Isolagen Australia Pty Limited ("Isolagen Australia"), a company organized under the laws of the Australia and wholly-owned subsidiary of Isolagen Technologies. The common stock, par value $0.001 per share, of the Company ("Common Stock") is traded on the American Stock Exchange ("AMEX") under the symbol "ILE."

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

In 1995, Isolagen Technologies began treating a small percentage of patients to correct defects (e.g., wrinkles, depressions and scarring) in the patient's face. Between 1995 and 1999, approximately 200 doctors utilized the Isolagen Process on approximately 963 patients with positive results. In 1997, the FDA began regulating the science of biologics. Biologics, in contrast to drugs that are chemically synthesized, are derived from living sources (such as humans, animals, and microorganisms) like the Isolagen Process. In 1995, when Isolagen Technologies began operations, the FDA had no regulations governing this area of biologics. After reviewing the new regulations and seeking the advice of consultants, Isolagen concluded that the use of the Isolagen Process in cosmetic applications did not require the approval of the FDA. In 1999, Isolagen Technologies filed a request for authorization from the FDA to administer an investigational drug or biological product to humans. Such authorization must be secured prior to commercialization of any new drug or

biological product. The FDA placed the authorization on clinical hold until Isolagen Technologies' manufacturing processes and procedures were changed to meet these new biologics standards, and FDA approval is obtained. In April 2002, the FDA approved Isolagen's Investigational New Drug Application ("IND") for the treatment of wrinkles and scars and clinical trial are underway. The Company's Phase III trial for dermal defects has commenced, is being conducted in ten sites, and involves physicians who are either plastic surgeons or dermatologists with practices that emphasize aesthetic procedures. The patients' enrollment has been completed and totals one hundred fifty-two patients. To date, over 90% of the patients have had their first consultation. The first patients are scheduled to begin their injections in August 2003 with the final patient injection scheduled for the end of September 2003. This Phase III trial is a double-blind study with 75% of the patients receiving the therapeutic dosage and the remaining 25% receiving a placebo. In addition, in January of 2003, Isolagen commenced a double-blind Phase II trial under the IND, which is a two-site dose ranging study of forty patients. Isolagen expects to complete its analysis of the data from the Phase II trial during the fourth quarter of 2003. Finally, Isolagen also has a Phase I clinical trial of twenty-one patients in progress for dental applications addressing gingival recession. Isolagen expects to complete this study in the first quarter of 2004.

The Company's goal is to become an industry leader in the research, development and commercialization of autologous cellular therapy which stimulate a patient's own collagen production. The Company, through Isolagen Europe, has commenced commercial operations in the United Kingdom and is pursuing commercial operations through subsidiaries, joint ventures or license arrangements in Australia, South Korea, Hong Kong, Brazil, Mexico and elsewhere. The Company is investigating regulatory and other requirements in these countries and evaluating markets and potential joint venture partners and licensees. In July 2003, the Company received License No. 174347 from the Therapeutic Goods Administration ("TGA"), in Australia, to begin the manufacture of autologous

fibroblasts including the initiation of primary cultures of fibroblasts, the propagation of fibroblasts, the harvesting of cultured fibroblasts, the storage of cultured fibroblasts and release for supply of cultured fibroblasts. The Company is not in a position to predict, when or if licenses will be granted in any jurisdiction.

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

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

If the Company achieves growth in its operations in the next few years,

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

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

Acquisition and merger

On August 10, 2001, Isolagen Technologies consummated a merger with American Financial Holdings, Inc. ("AFH") and Gemini IX, Inc. ("Gemini"). Pursuant to an Agreement and Plan of Merger, dated August 1, 2001, by and among AFH, ISO Acquisition Corp, a Delaware corporation and wholly-owned subsidiary of AFH ("Merger Sub"), Isolagen Technologies, a Delaware corporation, Gemini, a Delaware corporation, and William J Boss, Jr., Olga Marko and Dennis McGill, stockholders of Isolagen Technologies (the "Merger Agreement"), the Company acquired in a privately negotiated transaction 100% of the issued and outstanding capital stock of Isolagen Technologies. Pursuant to the terms of the Merger Agreement, Merger Sub, together with Gemini, merged with and into Isolagen Technologies (the "Merger"), and Isolagen Technologies was the surviving corporation of the Merger. AFH was a non-operating, public shell company with limited assets. Gemini was a non-operating private company with limited assets. Consequently, the substance of the merger transaction was a capital transaction rather than a business combination, similar to a reverse acquisition. The transaction was equivalent to the issuance of stock by Isolagen Technologies for the net assets of the AFH and Gemini, accompanied by a recapitalization and private placement of common stock of AFH. The accounting is identical to that resulting from a reverse acquisition, except that no goodwill or other intangibles are recorded. AFH issued an aggregate of 9,756,372 shares of restricted common stock, par value $0.001 per share, as consideration for the Merger, to retire certain debts of Isolagen Technologies and in connection with certain bridge loans of Isolagen Technologies.

Prior to the Merger, Isolagen had no active business and was seeking funding to begin U.S. Food and Drug Administration ("FDA") trials of the Isolagen Process.

Simultaneous with the Merger, AFH sold 1,346,669 shares of restricted common stock to certain accredited investors in a private placement transaction. The consideration paid by such investors for the shares of Common Stock aggregated $2,020,000 in transactions exempt from the registration requirements of the Securities Act. The net cash proceeds of this private placement were used to fund Isolagen Technologies' research and development projects and the initial FDA trials of the Isolagen Process, to explore the viability of entering foreign markets, to

provide working capital and for general corporate purposes. Additionally,

$1,450,000 principal of Isolagen Technologies' debt and approximately $625,000 of accrued liabilities were converted to equity. On November 13, 2001, AFH changed its name to Isolagen, Inc.

Basis of presentation

The financial statements presented include the consolidated balance sheet of Isolagen, Inc. and its wholly-owned subsidiaries, Isolagen Technologies, Inc., Isolagen Europe Limited and Isolagen Australia Pty Limited, at June 30, 2003 and December 31, 2002. The consolidated statements of operations and cash flows for six and three month periods ended June 30, 2003 and June 30, 2002 include Isolagen, Inc. and its wholly-owned subsidiaries. All significant intercompany transactions have been eliminated.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Interim financial information

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

Restatement of financial statements

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

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

and $94,906, respectively, in the computation of net loss attributable to common shareholders.

Contributed Services: During 2002 and 2001, certain officers and directors of the Company were not compensated for a portion of their services provided to Company. The financial statements are to reflect the total cost of conducting its business which includes the value of contributed services. Accordingly, the Company has recorded contribution services from officers totaling $200,000 for each of the six month periods ended June 30, 2003 and 2002 and $100,000 for each of the three month periods ended June 30, 2003 and 2002, respectively. We estimated the value of the contributed services based upon our estimate of their fair market value. This contribution of services was recorded as an increase in compensation expense and an increase in additional paid in capital.

Weighted Average Shares Utilized in the Calculation Percentage Loss Per Share: Similar to a reverse merger, the weighted average shares outstanding utilized in the computation of earnings per share are to be adjusted to give effect as if the Merger transaction had occurred as of the beginning of the earliest year presented, similar to a stock split. For all years presented prior to the Merger, the weighted average shares outstanding were not adjusted to reflect the recapitalization as of the earliest period presented. Accordingly, the Company has retroactively restated its financial statements to the earliest period presented for the purposes of computing weighted average shares outstanding and loss per share data.

Together these restatements changed the net loss per share attributable to common shareholders from $0.29 to $0.41 for the six months ended June 30, 2003, from $0.12 to $0.77 for the six months ended June 30, 2002, from $0.15 to $0.25 for the three months ended June 30, 2003, from $0.08 to $0.72 for the three months ended June 30, 2002, and the cumulative from inception net loss per share has decreased from $2.37 to $2.34.

Statement of cash flows

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

Concentration of credit risk

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

The Company is subject to risks common to companies in the development stage including, but not limited to, development of new products, development of markets and distribution channels, dependence on key personnel, and the ability to obtain additional capital as needed to fund its product plans. The Company has a limited operating history and has yet to generate any significant revenues

from customers. To date, the Company has been funded by private debt and equity financings. The Company's ultimate success is dependent upon its ability to raise additional capital and to successfully develop and market its products.

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

Inventory

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

Property and equipment

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

Intangible assets

In the first quarter of 2003, the Company entered into an Intellectual Property Purchase Agreement to acquire two pending patent applications. As consideration, the Company issued the seller 100,000 shares of its Common Stock and royalty equal to (a) 5% of all revenues recognized by the Company or its Affiliates from commercial application of the Intellectual Property made, provided, distributed, sold or manufactured directly by the Company or its Affiliates, or (b) 25% of all revenues recognized by the Company or its Affiliates from licensing,

sublicensing, transferring or selling the Intellectual Property to a third party, without offset or deduction for general and administrative or operating costs, subject to a total maximum royalty of $2 million. The pending patent applications are recorded as intangible assets at their acquisition cost and will be amortized over their estimated useful lives on a straight-line basis.

Earnings per share data

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

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

Stock-based compensation

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

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

Income taxes

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

Revenue recognition

The Company recognizes revenue from product sales when goods are shipped and the risk of loss transfers to the customer. Revenue from licenses and other upfront fees are recognized on a ratable basis over the term of the respective agreement. Milestone payments are recognized upon successful completion of a performance milestone event. Any amounts received in advance of performance are recorded as deferred revenue. The Company recognizes revenue over the period the service is performed in accordance with SEC Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements" ("SAB 101"). SAB 101 requires that four basic criteria must be met before revenue can be recognized: (1) persuasive evidence of an arrangement exists, (2) delivery has occurred or services rendered, (3) the fee is fixed and determinable, and (4) collectibility is reasonably assured. We believe that all of these conditions are met at the time of shipment. Currently, three injections are recommended, although the decision to utilize one, two or three injections is between the attending physician and his/her patient. The amount invoiced is fixed and determinable and only varies among

customers depending upon the number of injections requested. There is no performance provision under any arrangement with any doctor and there is no

right to refund, or returns for unused injections.

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

Promotional incentives

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

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

Foreign currency translation

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

Comprehensive income

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

undistributed earnings of foreign subsidiaries.

Research and development expenses

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

Estimates

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

Recent accounting pronouncements

In December 2002, the Emerging Issues Task Force, ("EITF"), issued EITF Issue 00-21, Accounting for Revenue Arrangements with Multiple Deliverables. EITF 00-21 provides guidance on determining whether a revenue arrangement contains multiple deliverable items and if so, requires that revenue be allocated amongst the different items based on fair value. EITF 00-21 also requires that revenue or any item in a revenue arrangement with multiple deliverables not delivered completely must be deferred until delivery of the item is completed. The guidance in EITF 00-21 is effective for revenue arrangements entered into in fiscal periods beginning after June 15, 2003. The Company does not expect that implementation of EITF 00-21 will have a material impact on its results of operations or financial position.

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

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

In April 2003, the FASB issued SFAS No. 149, Amendment of Statement 133 on Derivative Instruments and Hedging Activities", which amends and clarifies financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities under SFAS 133. SFAS 149 is effective for contracts entered into or modified after June 30, 2003, and for hedging relationships designated after June 30,

2003. Isolagen will adopt SFAS 149 effective July 1, 2003, and does not expect that the provisions of SFAS 149 will have a material impact on the Company's financial position or results of operations.

In May 2003, the FASB issued SFAS No. 150, Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity". SFAS 150 requires that certain financial instruments, which under previous guidance were accounted for as equity, must now be accounted for as liabilities. The financial instruments affected include mandatory redeemable stock, certain financial instruments that require or may require the issuer to buy back some of its shares in exchange for cash or other assets and certain obligations that can be settled with shares of stock. SFAS 150 is effective for all financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. SFAS 150 was adopted in the quarter ended June 30, 2003 and it did not have an impact of the Company's financial positions or results of operations.

NOTE 3 - CONTINGENCIES

On October 9, 1996, the Company was advised by the Enforcement Division of the Securities and Exchange Commission (the "Commission") that it is considering recommending that the Commission bring an enforcement action, which could include a civil penalty, against the Company in U.S. District Court for failing to file timely periodic reports in violation of Section 13(a) of the Securities and Exchange Act of 1934 and the rules thereunder.

In October 1996, the Company also received a request for the voluntary production of information to the Enforcement Division of the Commission related to the resignation of Coopers & Lybrand LLP and the termination of Arthur Andersen LLP and the appointment of Jones, Jensen & Company as the Company's independent public accountants and the reasons therefore. In addition, the Company was requested to provide certain information respecting its previous sales of securities. The Company cooperated in providing information in response to these

inquiries in early 1997. The Company has not been advised of the outcome of the foregoing, and has had no further contact by the Enforcement Division of the Commission.

Note 4 - Equity

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

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

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

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

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

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

	Three Months Ended June 30,		Six Mo
	2003	2002	2003
Net loss - as reported	$ (2,441,275)	$ (1,280,923)	$ (4,630,
Less: total stock-based employee compensation expense determined under fair value based method for all awards granted to employees, net of related			

tax effect	(316,955)	(191,134)	(605,
Net loss - pro forma	$ (2,758,230)	$ (1,472,057)	$ (5,235,
Net loss per share - as reported			
Basic and diluted	$ (0.16)	$ (0.08)	$ (0
Net loss per share - pro forma			
Basic and diluted	$ (0.18)	$ (0.10)	$ (0

PART II: INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 13. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION

The following table sets forth the costs and expenses to be paid in connection with the sale of the shares of common stock being registered hereby. The Selling Holders will pay only those expenses directly related to the transfer of their securities. All amounts are estimates except for the Securities and Exchange Commission registration fee.

Securities and Exchange Commission registration fee	$ 18,104
Accounting fees and expenses	20,000
Legal fees and expenses	45,000
Printing fees and expenses	15,000
Blue-sky fees and expenses	5,000
Transfer agent and registrar fees and expenses	5,000
Miscellaneous	5,000
Fees to be paid by Selling Security Holders	0
Total to be paid by Isolagen	$ 113,104

ITEM 14. INDEMNIFICATION OF DIRECTORS AND OFFICERS

Isolagen's Certificate of Incorporation and Bylaws authorize it to indemnify directors, officers, employees and agents of Isolagen against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement, actually and reasonably incurred in connection with any action, suit or proceeding, if the party to be indemnified acted in good faith and in a manner that he reasonably believed to be in or not opposed to the best interests of Isolagen, and, with respect to any criminal action or proceeding, such party had no reasonable cause to believe his conduct was unlawful. The Certificate of Incorporation and the Bylaws of Isolagen also authorize it to indemnify directors, officers, employees and agents of Isolagen who is or was a party to

or is threatened to be a party to, any threatened, pending, or completed action or suit by or in the right of Isolagen to procure a judgment in its favor by reason of the fact the he was a director, officer, employee or agent of Isolagen or of another entity at the request of Isolagen, against expenses (including reasonable attorneys' fees) actually and reasonably incurred by him in connection with the defense or settlement of such action or suit if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of Isolagen, except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged liable to Isolagen unless and to the extent that the court in which such suit or action was brought shall determine on application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses as the court deems proper.

The Bylaws also permit Isolagen to enter into indemnity agreements with individual directors, officers, employees, and other agents. Isolagen reserves the right to enter into such agreements with its directors and executive officers effective upon the closing of this offering. These agreements, together with the Bylaws and Articles of Incorporation, may require Isolagen, among other things, to indemnify directors or officers against certain liabilities that may arise by reason of their status or service as directors (other than liabilities resulting from willful misconduct of a culpable nature), to advance expenses to them as they are incurred, provided that they undertake to repay the amount advanced if it is ultimately determined by a court that they are not entitled to indemnification, and to obtain and maintain directors' and officers' insurance if available on reasonable terms.

Isolagen currently has directors' and officers' liability insurance.

At present, there is no pending litigation or proceeding involving a director, officer or employee of Isolagen pursuant to which indemnification is sought, nor is Isolagen aware of any threatened litigation that may result in claims for indemnification.

Delaware General Corporation Law, Section 145, and the Articles of Incorporation and Bylaws of Isolagen provide for the indemnification of officers, directors and other corporate agents in terms sufficiently broad to indemnify such persons, under certain circumstances, for liabilities (including reimbursement of expenses incurred) arising under the Securities Act. Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons pursuant to the foregoing provisions, or otherwise, Isolagen has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable.

Reference is made to the following documents filed as exhibits to this Registration Statement regarding relevant indemnification provisions described above and elsewhere herein:

DOCUMENT	EXHIBIT NUMBER
Registrant's Certificate of Incorporation	3(i)

Registrant's Bylaws 3(ii)

ITEM 15. RECENT SALES OF UNREGISTERED SECURITIES

On January 22, 2001, the Company, then known as American Financial Holding, Inc. entered into a purchase agreement (the "Purchase Agreement") with Alyda Macaluso, Laura Avignon, and Lighthouse Capital Insurance Co. whereby the Company issued 15,000,000 shares of common stock (pre-split) and issued $150,000 of promissory notes for $300,000 in cash. Under the terms of the Purchase Agreement, the Company obtained shareholder approval for a 21:4 reverse stock split, which resulted in the 4,279,449 shares of common stock outstanding at December 31, 2000 being consolidated into 199,974 post-split shares. In addition, the 15,000,000 pre-split shares of common stock issued to the purchasers were consolidated into 700,935 post split shares and the $150,000 promissory notes were automatically converted into 2,299,065 post-split shares of common stock; thus bringing the total interest in the Company held by the purchasers to 3,000,000 post-split shares of common stock. Accordingly, the Purchase Agreement resulted in a change in control of the Company. The transaction was effected pursuant to the exemption from registration set forth in Section 4(2) under the Securities Act. Each of the purchasers was sophisticated and had access to all information regarding the company. No placement agent or finder was involved in the transaction.

On August 10, 2001, the Company acquired Isolagen Technologies through the merger of its wholly-owned subsidiary, Isolagen Acquisition Corp., a Delaware corporation ("Merger Sub"), and an affiliated entity, Gemini IX, Inc., a Delaware corporation ("Gemini"), with and into Isolagen Technologies (the "Merger"). As a result of the Merger, Isolagen Technologies became a wholly-owned subsidiary of the Company. Simultaneously with the Merger, the Company issued 1,346,669 shares, at $1.50 per share, of the Company's restricted common stock to Timothy J. Till, Michael Avignon, Michael Macaluso, and BASR Partnership, an entity beneficially owned by William F. Pettinati, William F. Pettinati, Jr. 1998 Gift Trust, and the Andrew P. Pettinati 1998 Gift Trust, for consideration totaling $2,020,000 in a private placement and converted $1,450,000 principal amount of Company debt and approximately $625,000 of accrued liabilities of the Company to equity. On November 13, 2001, the Company changed its name to Isolagen, Inc. The transaction was effected pursuant to the exemption from registration set forth in Section 4(2) under the Securities Act. Each of the purchasers was sophisticated and had access to all information regarding the Company. No placement agent or finder was involved in the transaction.

On July 2002, the Company completed a private offering of 2,895,000 shares of Series A Convertible Preferred Stock, par value $0.001 per share, at an offering price of $3.50 per share. Each share of Series A Preferred Stock was convertible into two shares of common stock at any time after issuance and accrued dividends at 8% per annum payable in cash or additional shares of Series A Preferred Stock. In conjunction with the private offering, the Company issued to the placement agent warrants to purchase 1,158,000 shares of common stock with an exercise price of $1.93 per share. The warrants are exercisable immediately after grant, contain cashless exercise provisions, and expire five years thereafter. The private placement was made pursuant to reliance on Rule 506 of Regulation D and all of the investors were "accredited investors," as that term is defined in Rule 501(a) of Regulation D. Fordham Financial Management, Inc. ("Fordham"), a registered broker-dealer, acted as the placement agent. Fordham received an 8% commission, a 2% non-accountable expense allowance, a consulting fee of 1%, reimbursement of other identified costs in the amount of $1,087,985, and certain rights of indemnification. Those investors who purchased shares of our common stock in the July 2002 private placement are identified in footnote (3) in the Selling Holders table in "Securities Offered,

the Selling Holders and the Plan of Distribution."

In September 2002, the Company issued 375,000 warrants to purchase its common stock with an exercise price ranging from $1.50 to $2.50 per share to The Lotus Group ("Lotus"), located in San Francisco, CA, in conjunction with consulting services. The warrants vest over a ten year period, subject to certain acceleration clauses, and expire ten years following grant. Lotus is sophisticated and had access to all material information regarding the Company. The transaction was made pursuant to the exemption from registration provided by Section 4(2) of the Securities Act of 1933. Consideration for the issuance of the warrants was the execution of a distribution agreement. No placement agent or finder was involved in the transaction.

During the year ended December 31, 2002, the Company issued an additional 143,507 shares of Series A Preferred Stock in "in-kind" dividends on the Series A Preferred Stock. This issuance did not constitute a "sale" for purposes of the Securities Act of 1933.

All of the Series A Convertible Preferred Stock has been converted into Common Stock by the holders.

On January 7, 2003, the Company issued 61,600 shares of Common Stock in connection with the exercise of employee stock options by Robert E. Tompkins, a former executive officer of the Company who is sophisticated and had access to all material information regarding the Company. The transaction was effected in reliance upon the exemption from registration provided by Section 4(2) of the Securities Act of 1933. No placement agent or finder was involved in the transaction.

In February 2003, the Company issued 75,000 warrants to purchase its common stock with an exercise price of $5.94 per share to RCG Capital Markets Group, Inc. ("RCG"), located in Phoenix, AZ, in conjunction with our investor relations program. The warrants vest over certain performance criteria, and expire six years following grant. RCG is sophisticated and had access to all material information regarding the Company. The transaction was made pursuant to the exemption from registration provided by Section 4(2) of the Securities Act of 1933. Consideration for the issuance of the warrants was the execution of a distribution agreement. No placement agent or finder was involved in the transaction.

In May 2003, the Company sold in a private offering 155,750 shares of Series B Convertible Preferred Stock, par value $0.001 per share, at an offering price of $28 per share. Each share of Series B Convertible Preferred Stock was convertible into 8 shares of Common Stock at any time after issuance and accrued dividends at 6% per annum payable in cash or additional shares of Series B Convertible Preferred Stock. After deducting the costs and expenses associated with the sale, the Company received cash totaling $3,919,078. The private placement was made pursuant to reliance on Rule 506 of Regulation D and all of the investors were "accredited investors," as that term is defined in Rule 501(a) of Regulation D. Fordham acted as the placement agent. Fordham received a 7% commission, a 3% non-accountable expense allowance, and reimbursement of other identified expenses in the amount of $279,480, as well as certain rights of indemnification. In conjunction with the private offering, the Company issued to the placement agent warrants to purchase 124,600 shares of common stock with an exercise price of $3.50 per share. The warrants are exercisable immediately after grant, contain cashless exercise provisions, and expire five years thereafter. Those investors who purchased shares of our common stock in the May

2003 private placement are identified in footnote (4) in the Selling Holders table in "Securities Offered, the Selling Holders and the Plan of Distribution."

In April 2003, the Company issued 150,000 warrants to purchase its common stock with an exercise price of $3.50 per share to Equipmed Pty. Ltd. (the "Distributor"), located in Sydney, Australia, in conjunction with the conclusion of a distribution agreement. The warrants vest over a three year period, subject to certain acceleration clauses, and expire ten years following grant. The Distributor is sophisticated and had access to all material information regarding the Company. The transaction was made pursuant to the exemption from registration provided by Section 4(2) of the Securities Act of 1933. Consideration for the issuance of the warrants was the execution of a distribution agreement. No placement agent or finder was involved in the transaction.

From June 17, 2003 through September 4, 2003, the Company issued 327,432 shares of its Common Stock in connection with the cashless exercise of a portion of the placement agent warrant previously issued to Fordham in connection with the private placement of Series A Convertible Preferred Stock in July 2002. The transaction was effected in reliance upon the exemption from registration provided by Section 4(2) of the Securities Act of 1933. No party acted as a placement agent or finder in connection with this cashless exercise.

On August 28, 2003, the Company completed a private placement of 3,359,331 shares of its Common Stock, primarily to institutional investors, for consideration of $6.00 per share. The gross proceeds of the private placement were $20,155,986. The net proceeds after commissions and offering expenses were $18,553,062. Legg Mason Wood Walker, Incorporated ("Legg Mason"), a registered broker-dealer, acted as the placement agent. Legg Mason received a 7% placement fee and reimbursement of its expenses in

the amount of $1,472,924. The transaction was effected in reliance upon the exemption from registration provided by Rule 506 of Regulation D. All of the investors were "accredited investors," as that term is defined in Rule 501(a) of Regulation D.

ITEM 16. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) Exhibits Pursuant to Item 601 of Regulation S-K:

EXHIBIT NO.	IDENTIFICATION OF EXHIBIT
2	Agreement and Plan of Merger by and among American Financial Holding, Inc., ISO Acquisition Corp., Isolagen Technologies, Inc., Gemini IX, Inc., and William K. Boss, Jr., Olga Marko and Dennis McGill dated August 1, 2001(1)
3(i)	Amended Certificate of Incorporation (8)
3(ii)	Bylaws (2)
4.1	Specimen of Common Stock certificate (3)
4.2	Certificate of Designations of Series A Convertible Preferred Stock (8)

4.3	Certificate of Designations of Series B Convertible Preferred Stock (6)
4.4	Letter of Transmittal for holders of promissory notes of Isolagen Technologies, Inc. (1)
4.5	Letter of Transmittal for stockholders of Isolagen Technologies, Inc. (1)
4.6	Letter of Transmittal for stockholders of Gemini IX, Inc. (1)
5	Opinion of Dilworth Paxson LLP (9)
10.1	2003 Stock Option and Stock Appreciation Rights Plan (4)
10.2	2001 Stock Option and Appreciation Rights Plan (5)
10.3	Employment Agreement dated August 10, 2001 between Isolagen, Inc. and Olga Marko (8)
10.4	"Intentionally Blank"
10.5	Employment Agreement dated May 28, 2002 between Isolagen, Inc. and Vaughan Clift (8)
10.6	Employment Agreement dated September 5, 2003 between Isolagen, Inc. and Frank Delape (8)
10.7	Employment Agreement dated September 5, 2003 between Isolagen, Inc. and Michael Macaluso (8)
10.8	Employment Agreement dated September 5, 2003 between Isolagen, Inc. and Jeffrey W. Tomz (8)
10.9	Employment Agreement dated August 10, 2001 between Isolagen, Inc. and William K. Boss, as amended on February 28, 2002 (8)
10.10	"Intentionally Blank"
10.11	Lease Agreement dated March 24, 2002 by and between the Registrant as

	Lessee and Claire O Aceti Gbmh as Lessor (8)
10.12	Lease Agreement dated November 20, 2002 by and between the Registrant as Lessee and Lego Australia Pty Limited as Lessor (8)
10.13	Intellectual Property Purchase Agreement between Isolagen Technologies, Inc. Gregory M. Keller, and PacGen Partners (9)
21	List of Subsidiaries (7)
23.1	Dilworth Paxson LLP Consent (10)
23.2	Pannell Kerr Forster of Texas, P.C. Consent (9)
24	Power of Attorney (included on signature page)

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(1) Previously filed as exhibit to the Registrant's Form 8-K as filed on August 22, 2001 and is incorporated by reference hereto.

(2) Previously filed as exhibit to the Registrant's Annual Report on Form 10-KSB for the fiscal year ended December 31, 1991 and is incorporated by reference hereto.

(3) Previously filed as exhibit to the Registrant's Annual Report on Form 10-KSB for the fiscal year ended December 31, 2001 and is incorporated by reference hereto.

(4) Previously filed as appendix to the Registrant's Definitive Proxy Statement (DEF14A) filed with the SEC in connection with the 2003 Annual Stockholder Meeting and is incorporated by reference hereto.

(5) Previously filed as appendix to the Registrant's Definitive Proxy Statement (DEF14A) filed with the SEC in connection with the 2001 Annual Stockholder Meeting and is incorporated by reference hereto.

(6) Previously filed as appendix to the Registrant's Form 10-Q as filed on May 15, 2003 and is incorporated by reference hereto.

(7) Previously filed as exhibit to the Registrant's Annual Report on Form 10-KSB for the fiscal year ended December 31, 2002 and is incorporated by reference hereto.

(8) Previously filed as appendix to the Registrant's Form S-1 as filed as filed on September 12, 2003 and is incorporated by reference hereto.

(9) Filed herewith

(10) Set forth in Exhibit 5 hereto.

ITEM 17. UNDERTAKINGS.

The Registrant hereby undertakes the following:

(a) (1) To file, during any period in which it offers or sells securities, a post-effective amendment to this registration statement to:

(i) include any Prospectus required by Section 10(a)(3) of the Securities Act;

(ii) reflect in the Prospectus any facts or events which, individually or together, represent a fundamental change in the information in the registration statement; and

(iii) include any additional or changed material information of the plan of distribution.

(2) For determining liability under the Securities Act, treat each post-effective amendment as a new registration statement of the securities offered, and the offering of the securities at that time to be the initial bona fide offering.

(3) File a post-effective amendment to remove from registration any of the securities that remain unsold at the end of the offering.

(b) Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the Registrant pursuant to the provisions described under Item 14 above, or otherwise, the Registrant has been advised that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification relative to alleged securities act violations (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person, the Registrant will submit to a court of appropriate jurisdiction the question of whether such indemnification is against public policy and will be governed by the final adjudication of such issue.

SIGNATURES

In accordance with the requirements of the Securities Act of 1933, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-1 and authorized this amended registration statement to be signed on its behalf by the undersigned, in the City of Houston, State of Texas, October 24, 2003.

ISOLAGEN, INC.

By: /s/ JEFFREY W. TOMZ

Chief Financial Officer and Secretary

In accordance with the requirements of the Securities Act of 1933, the following persons in their capacities and on the dates stated signed this registration statement.

/s/ MICHAEL MACALUSO		
Michael Macaluso	President, Chief Executive Officer	October 24, 2003

	and Director	
/s/ FRANK DELAPE Frank Delape	Chairman of the Board and Director	October 24, 2003
/s/ MICHAEL AVIGNON Michael Avignon	Director	October 24, 2003
/s/ WILLIAM BOSS William Boss	Director	October 24, 2003
/s/ JEFFREY W. TOMZ Jeffrey W. Tomz	Chief Financial Officer and Accounting Officer and Secretary	October 24, 2003
/s/ E. ASHLEY SMITH E. Ashley Smith	Director	October 24, 2003
/s/ RALPH V. DE MARTINO Ralph V. De Martino	Director	October 24, 2003
/s/ STEVEN MORRELL Steven Morrell	Director	October 24, 2003

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