

AxoGen, Inc.
Condensed Consolidated Balance Sheets

	March 31, 2012 (unaudited)	December 31, 2011
Assets		
Current assets:		
Cash and cash equivalents	\$ 5,641,947	\$ 8,190,781
Accounts receivable	893,983	797,654
Inventory	2,126,336	1,760,540
Prepaid expenses and other	142,257	133,500
Total current assets	8,804,523	10,882,475
Property and equipment, net	221,446	247,824
Goodwill	169,987	169,987
Intangible assets	911,297	899,480
Deferred financing costs	272,563	295,276
Other Assets	97,276	---
	\$ 10,477,092	\$ 12,495,042
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable and accrued expenses	\$ 1,506,373	\$ 1,585,100
Current portion of long-term debt	918,480	434,734
Total current liabilities	2,424,853	2,019,834
Long-term debt	3,932,229	4,403,737
Total liabilities	6,357,082	6,423,571
Commitments and contingencies		
Stockholders' equity:		
Common stock, \$.01 par value; 50,000,000 shares authorized; 11,062,421 and 11,062,188 shares issued and outstanding	110,624	110,622
Additional paid-in capital	54,549,646	54,391,784
Accumulated deficit	(50,540,260)	(48,430,935)
Total stockholders' equity	4,120,010	6,071,471
	\$ 10,477,092	\$ 12,495,042

AxoGen, Inc.
Consolidated Statements of Operations
(unaudited)

	Three Months Ended	
	March 31, 2012	March 31, 2011
Revenues	\$ 1,653,430	\$ 1,121,561
Cost of goods sold	439,158	338,777
Gross profit	1,214,272	782,784
Costs and expenses:		
Sales and marketing	1,628,608	856,976
Research and development	296,131	105,591
General and administrative	1,230,608	722,165
Total costs and expenses	3,155,347	1,684,732
Loss from operations	(1,941,075)	(901,948)
Other income (expense):		
Interest expense	(125,125)	(202,799)
Interest expense – deferred financing costs	(34,951)	(1,059,167)
Change in fair value of warrant liability	---	(119,460)
Other income (expense)	(8,174)	(7,900)
Total other income (expense)	(168,250)	(1,389,326)
Net loss	(2,109,325)	(2,291,274)
Preferred Stock dividends (assumes all paid)	---	375,779
Net loss available to common shareholders	\$ (2,109,325)	\$ (2,667,053)
Weighted Average Common Shares outstanding – basic and diluted	11,062,339	1,205,600
Loss Per Common share – basic and diluted	\$ (0.19)	\$ (2.21)

AxoGen, Inc.
Consolidated Statements of Cash Flows
(unaudited)

	Three Months Ended March 31,	
	2012	2011
Cash flows from operating activities:		
Net loss	\$(2,109,325)	\$ (2,291,274)
Adjustments to reconcile net loss to net cash used for operating activities:		
Depreciation	55,691	75,129
Amortization of intangible assets	29,419	10,676
Amortization of deferred financing costs	22,713	1,059,167
Amortization of debt discount	12,238	8,578
Stock-based compensation	157,860	30,000
Change in fair value of warrant liability	---	119,460
Change in assets and liabilities:		
Accounts receivable	(96,329)	(85,251)
Inventory	(365,796)	30,429
Prepaid expenses and other	(106,033)	32,973
Accounts payable and accrued expenses	(78,727)	(146,867)
Net cash used for operating activities	(2,478,289)	(1,156,980)
Cash flows from investing activities:		
Purchase of property and equipment	(29,313)	---
Acquisition of intangible assets	(41,236)	(17,981)
Net cash used for investing activities	(70,549)	(17,981)
Cash flows from financing activities:		
Debt issuance costs	---	(37,346)
Proceeds from exercise of stock options	63	---
Payment of fractional shares from Merger	(59)	---
Net cash provided by (used for) financing activities	4	(37,346)
Net decrease in cash and cash equivalents	(2,548,834)	(1,212,307)
Cash and cash equivalents, beginning of year	8,190,781	1,799,048
Cash and cash equivalents, end of period	\$ 5,641,947	\$ 586,741
Supplemental disclosures of cash flow activity:		
Cash paid for interest	\$ 125,125	\$ 184,051
Supplemental disclosure of non-cash investing and financing activities:		
Accretion of dividends of Series B preferred stock	\$ ---	\$ 110,849
Accretion of dividends of Series C preferred stock	---	187,601
Accretion of dividends of Series D preferred stock	---	77,329

