

AxoGen, Inc.
Condensed Consolidated Balance Sheets

	June 30, 2013 (unaudited)	December 31, 2012
Assets		
Current assets:		
Cash and cash equivalents	\$ 8,692,683	\$ 13,907,401
Accounts receivable	1,415,524	1,050,089
Inventory	3,575,779	3,151,109
Prepaid expenses and other	127,326	187,256
Total current assets	13,811,312	18,295,855
Property and equipment, net	111,036	108,534
Intangible assets	583,386	573,731
Deferred Financing Costs	1,167,011	1,252,443
	\$ 15,672,745	\$ 20,230,563
 Liabilities and Shareholders' Equity (Deficit)		
Current liabilities:		
Accounts payable and accrued expenses	\$ 1,587,938	\$ 1,479,752
Total current liabilities	1,587,938	1,479,752
Note Payable - Revenue Interest Purchase Agreement	23,383,692	21,580,252
Total liabilities	24,971,630	23,060,004
Commitments and contingencies	--	--
Shareholders' equity:		
Common stock, \$.01 par value; 50,000,000 shares authorized; 11,139,939 and 11,122,573 shares issued and outstanding	111,399	111,226
Additional paid-in capital	55,333,916	54,908,226
Accumulated deficit	(64,744,200)	(57,848,893)
Total shareholders' equity	(9,298,885)	(2,829,441)
	\$ 15,672,745	\$ 20,230,563

AxoGen, Inc.
Consolidated Statements of Operations
(unaudited)

	Three Months Ended		Six Months Ended	
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
Revenues	\$ 2,862,289	\$ 2,012,513	\$ 5,005,221	\$ 3,665,943
Cost of goods sold	633,293	501,917	1,193,536	941,075
Gross profit	2,228,996	1,510,596	3,811,685	2,724,868
Costs and expenses:				
Sales and marketing	2,526,388	1,581,875	4,419,929	3,210,483
Research and development	498,318	367,363	905,261	663,494
General and administrative	1,398,619	1,148,161	3,004,378	2,378,769
Total costs and expenses	4,423,325	3,097,399	8,329,568	6,252,746
Loss from operations	(2,194,329)	(1,586,803)	(4,517,883)	(3,527,878)
Other income (expense):				
Interest expense	(1,223,645)	(125,218)	(2,291,266)	(250,343)
Interest expense—deferred financing costs	(41,215)	(59,983)	(85,432)	(94,934)
Other income (expense)	1,390	5,851	(728)	(2,323)
Total other income (expense)	(1,263,470)	(179,350)	(2,377,426)	(347,600)
Loss before income taxes	(3,457,799)	(1,766,153)	(6,895,309)	(3,875,478)
Income tax benefit	-	736,434	-	736,434
Net loss	\$(3,457,799)	\$(1,029,719)	\$(6,895,309)	\$(3,139,044)
Net loss available to common shareholders	\$(3,457,799)	\$(1,029,719)	\$(6,895,309)	\$(3,139,044)
Weighted Average Common Shares outstanding – basic and diluted	11,137,729	11,084,620	11,131,217	11,073,480
Loss Per Common share - basic and diluted	\$(0.31)	\$(0.09)	\$(0.62)	\$(0.28)

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

	Six Months Ended	
	June 30,	June 30,
	2013	2012
Cash flows from operating activities:		
Net loss	\$ (6,895,309)	\$ (3,139,044)
Adjustments to reconcile net loss to net cash used for operating activities:		
Depreciation	42,813	101,869
Amortization of intangible assets	29,405	63,671
Amortization of deferred financing costs	85,432	45,427
Amortization of debt discount	--	24,506
Stock-based compensation	392,473	329,062
Interest added to note	1,803,439	--
Change in assets and liabilities:		
Accounts receivable	(365,435)	(64,574)
Inventory	(424,670)	(707,247)
Prepaid expenses and other	59,930	(236,880)
Accounts payable and accrued	108,186	118,933
Net cash used for operating activities	(5,163,736)	(3,464,277)
Cash flows from investing activities:		
Purchase of property and equipment	(45,315)	(31,040)
Acquisition of intangible assets	(39,060)	(49,126)
Net cash used for investing activities	(84,375)	(80,166)
Cash flows from financing activities:		
Debt issuance costs	--	(16,701)
Proceeds from exercise of stock options	33,393	9,215
Payment of fractional shares from Merger	--	(59)
Net cash (used by) provided by financing activities	33,393	(7,545)
Net decrease in cash and cash equivalents	(5,214,718)	(3,551,988)
Cash and cash equivalents, beginning of year	13,907,401	8,190,781
Cash and cash equivalents, end of period	8,692,683	4,638,793
Supplemental disclosures of cash flow activity:		
Cash paid for interest	\$458,394	\$276,718