

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

FORM 10-Q

(Mark One)



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

For the quarterly period ended June 30, 2010

OR



TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number: 333-136424

WaferGen Bio-systems, Inc.

(Exact Name of Registrant as Specified in its Charter)

Nevada

(State or other jurisdiction of incorporation or organization)

20-3699764

(IRS Employer Identification No.)

7400 Paseo Padre Parkway, Fremont, CA

(Address of principal executive offices)

94555

(Zip Code)

(510) 651-4450

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☐ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐

Accelerated filer ☐

Non-accelerated filer ☐ (Do not check if a smaller reporting company)

Smaller reporting company ☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The Registrant had 39,972,513 shares of common stock outstanding as of August 12, 2010.

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PART I FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited)

WAERGEN BIO-SYSTEMS, INC. AND SUBSIDIARIES (A Development Stage Company)

Condensed Consolidated Balance Sheets (Unaudited)

	<u>June 30, 2010</u>	<u>December 31, 2009</u>
<u>Assets</u>		
Current assets:		
Cash and cash equivalents	\$ 1,516,528	\$ 5,953,639
Accounts receivable	475,038	258,855
Inventories, net	457,701	39,970
Prepaid expenses and other current assets	264,496	138,712
Total current assets	2,713,763	6,391,176
Property and equipment, net	795,807	441,996
Other assets	47,626	57,982
Total assets	<u>\$ 3,557,196</u>	<u>\$ 6,891,154</u>
<u>Liabilities and Stockholders' Equity (Deficit)</u>		
Current liabilities:		
Accounts payable	\$ 1,308,494	\$ 1,240,397
Accrued rent	31,166	10,493
Accrued payroll	224,302	241,586
Accrued severance pay	105,324	371,596
Accrued vacation	149,853	117,619
Warranty reserve	16,650	—
Accrued other expenses	389,168	157,699
Current portion of capital lease obligations	13,968	21,663
Total current liabilities	2,238,925	2,161,053
Capital lease obligations, net of current portion	2,257	8,852
Warrant derivative liabilities	1,115,630	2,778,191
Redeemable convertible preference shares in subsidiary	4,171,378	3,290,994
Commitments and contingencies	—	—
Stockholders' equity (deficit):		
Preferred Stock, \$0.001 par value, 10,000,000 shares authorized, no shares issued and outstanding		—
Common Stock, \$0.001 par value, 300,000,000 shares authorized, 33,968,846 and 33,387,857 shares issued and outstanding at June 30, 2010, and December 31, 2009, respectively	33,969	33,388
Additional paid-in capital	30,241,282	29,017,578
Accumulated deficit	(34,411,365)	(30,462,283)
Accumulated other comprehensive income	165,120	63,381
Total stockholders' equity (deficit)	(3,970,994)	(1,347,936)
Total liabilities and stockholders' equity (deficit)	<u>\$ 3,557,196</u>	<u>\$ 6,891,154</u>

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

WAFERGEN BIO-SYSTEMS, INC. AND SUBSIDIARIES
(A Development Stage Company)

Condensed Consolidated Statements of Operations (Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,		Period From
	2010	2009	2010	2009	October 22, 2002
		(As restated, See Note 13)		(As restated, See Note 13)	(Inception) to June 30, 2010
Revenue	\$ 431,894	\$ 68,918	\$ 821,679	\$ 110,756	\$ 2,117,186
Cost of revenue	135,894	123,932	271,749	139,764	876,689
Gross margin	296,000	(55,014)	549,930	(29,008)	1,240,497
Operating expenses:					
Sales and marketing	475,143	180,338	724,949	316,186	3,507,208
Research and development	1,496,443	1,214,701	3,038,711	2,174,589	18,877,184
General and administrative	1,160,049	1,374,216	2,203,954	2,106,382	13,977,190
Total operating expenses	3,131,635	2,769,255	5,967,614	4,597,157	36,361,582
Operating loss	(2,835,635)	(2,824,269)	(5,417,684)	(4,626,165)	(35,121,085)
Other income and (expenses):					
Interest income	1,949	1,384	7,107	4,456	266,965
Interest expense	(1,067)	(1,928)	(1,674)	(4,760)	(323,128)
Unrealized gain (loss) on fair value of warrants, net	3,567,168	34,325	1,680,476	48,068	1,116,354
Miscellaneous income (expense)	(7,919)	(46,171)	(72,994)	(22,315)	(202,709)
Total other income and (expenses)	3,560,131	(12,390)	1,612,915	25,449	857,482
Net income (loss) before provision for income taxes	724,496	(2,836,659)	(3,804,769)	(4,600,716)	(34,263,603)
Provision for income taxes	—	—	—	—	—
Net income (loss)	724,496	(2,836,659)	(3,804,769)	(4,600,716)	(34,263,603)
Cumulative effect of reclassification of warrants	—	—	—	—	368,627
Accretion on Redeemable Convertible Preference Shares in Subsidiary	(78,790)	(36,416)	(144,313)	(71,416)	(360,391)
Accretion on Series B Preferred Stock	—	—	—	—	(155,998)
Net income (loss) attributable to common stockholders	\$ 645,706	\$ (2,873,075)	\$ (3,949,082)	\$ (4,672,132)	\$ (34,411,365)
Net income (loss) per share - basic	\$ 0.02	\$ (0.11)	\$ (0.12)	\$ (0.19)	
Net income (loss) per share - diluted	\$ 0.02	\$ (0.11)	\$ (0.12)	\$ (0.19)	
Shares used to compute net income (loss) per share - basic	33,846,309	25,396,752	33,675,760	25,115,405	
Shares used to compute net income (loss) per share - diluted	35,045,016	25,396,752	33,675,760	25,115,405	

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

WAFERGEN BIO-SYSTEMS, INC. AND SUBSIDIARIES
(A Development Stage Company)

Condensed Consolidated Statements of Series B Preferred Stock and Stockholders' Equity (Deficit) (Unaudited)

	Series B Preferred Stock		Series A Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total
	Shares	Amount	Shares	Amount	Shares	Amount			
Balances as of October 22, 2002	—	\$ —	—	\$ —	—	\$ —	\$ —	\$ —	\$ —
Net loss	—	—	—	—	—	—	—	—	—
Balances as of December 31, 2002	—	\$ —	—	\$ —	—	\$ —	\$ —	\$ —	\$ —

	Series B Preferred Stock		Series A Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total
	Shares	Amount	Shares	Amount	Shares	Amount			
Balances as of January 1, 2003	—	\$ —	—	\$ —	—	\$ —	\$ —	\$ —	\$ —
Net loss	—	—	—	—	—	—	—	(533,985)	(533,985)
Balances as of December 31, 2003	—	\$ —	—	\$ —	—	\$ —	\$ —	(533,985)	(533,985)

	Series B Preferred Stock		Series A Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total
	Shares	Amount	Shares	Amount	Shares	Amount			
Balances as of January 1, 2004	—	\$ —	—	\$ —	—	\$ —	\$ —	(533,985)	(533,985)
Issuance of Common Stock in June for cash	—	—	—	—	2,483,610	2,484	(2,024)	—	460
Stock-based compensation	—	—	—	—	—	—	1,242	—	1,242
Net loss	—	—	—	—	—	—	—	(1,124,360)	(1,124,360)
Balances as of December 31, 2004	—	\$ —	—	\$ —	2,483,610	\$ 2,484	\$ (782)	(1,658,345)	(1,656,643)

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

WAFERGEN BIO-SYSTEMS, INC. AND SUBSIDIARIES
(A Development Stage Company)

Condensed Consolidated Statements of Series B Preferred Stock and Stockholders' Equity (Deficit) (Unaudited)

	Series B Preferred Stock		Series A Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total
	Shares	Amount	Shares	Amount	Shares	Amount			
Balances as of January 1, 2005	—	\$ —	—	\$ —	2,483,610	\$ 2,484	\$ (782)	\$ (1,658,345)	\$ (1,656,643)
Issuance of Series A Preferred Stock in February upon conversion of notes payable and accrued interest	—	—	5,915,219	592	—	—	3,134,481	—	3,135,073
Issuance of Common Stock in September for cash	—	—	—	—	917,856	918	(748)	—	170
Stock-based compensation	—	—	—	—	—	—	8,575	—	8,575
Net loss	—	—	—	—	—	—	—	(1,494,449)	(1,494,449)
Balances as of December 31, 2005	—	\$ —	5,915,219	\$ 592	3,401,466	\$ 3,402	\$ 3,141,526	\$ (3,152,794)	\$ (7,274)

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

WAFERGEN BIO-SYSTEMS, INC. AND SUBSIDIARIES
(A Development Stage Company)

Condensed Consolidated Statements of Series B Preferred Stock and Stockholders' Equity (Deficit) (Unaudited)

	Series B Preferred Stock		Series A Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total
	Shares	Amount	Shares	Amount	Shares	Amount			
Balances as of January 1, 2006	—	\$ —	5,915,219	\$ 592	3,401,466	\$ 3,402	\$ 3,141,526	\$ (3,152,794)	\$ (7,274)
Issuance of Common Stock in January for cash	—	—	—	—	4,049	4	(3)	—	1
Issuance of Series B Preferred Stock in February for cash	2,052,552	1,559,942	—	—	—	—	—	—	—
Issuance of restricted shares in March for services	—	—	—	—	24,296	24	(24)	—	—
Issuance of Common Stock in June for cash	—	—	—	—	8,099	8	(7)	—	1
Issuance of restricted shares in July for services	—	—	—	—	10,798	11	(11)	—	—
Issuance of restricted shares in August for services	—	—	—	—	16,197	16	(16)	—	—
Issuance of Common Stock in August for cash	—	—	—	—	17,007	17	(14)	—	3
Accretions on Series B Preferred Stock	—	104,000	—	—	—	—	—	(104,000)	(104,000)
Issuance of restricted shares in November for services	—	—	—	—	5,399	5	(5)	—	—
Issuance of Common Stock in November for cash	—	—	—	—	8,639	9	(7)	—	2
Stock-based compensation	—	—	—	—	—	—	642,076	—	642,076
Net loss	—	—	—	—	—	—	—	(2,686,451)	(2,686,451)
Balances as of December 31, 2006	<u>2,052,552</u>	<u>\$ 1,663,942</u>	<u>5,915,219</u>	<u>\$ 592</u>	<u>3,495,950</u>	<u>\$ 3,496</u>	<u>\$ 3,783,515</u>	<u>\$ (5,943,245)</u>	<u>\$ (2,155,642)</u>

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WAFERGEN BIO-SYSTEMS, INC. AND SUBSIDIARIES
(A Development Stage Company)

Condensed Consolidated Statements of Series B Preferred Stock and Stockholders' Equity (Deficit) (Unaudited)

	Series B Preferred Stock		Series A Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total
	Shares	Amount	Shares	Amount	Shares	Amount			
Balances as of January 1, 2007	2,052,552	\$ 1,663,942	5,915,219	\$ 592	3,495,950	\$ 3,496	\$ 3,783,515	\$ (5,943,245)	\$ (2,155,642)
Issuance of Common Stock in January for cash	—	—	—	—	26,996	27	473	—	500
Issuance of restricted shares in January for services	—	—	—	—	134,979	135	(135)	—	—
Issuance of Series A Preferred Stock in February for cash	—	—	471,698	47	—	—	65,990	—	66,037
Issuance of WaferGen Bio-systems, Inc. Common Stock to WaferGen, Inc.'s Preferred shareholders in May	(2,052,552)	(1,715,940)	(6,386,917)	(639)	4,556,598	4,557	1,712,022	—	1,715,940
Issuance of Units for cash and notes payable in May and June, net of offering costs of \$1,917,956	—	—	—	—	8,008,448	8,008	10,086,704	—	10,094,712
WaferGen Bio-systems, Inc. shares outstanding	—	—	—	—	11,277,782	11,278	(11,278)	—	—
Common Stock cancelled in May in accordance with Split-Off Agreement	—	—	—	—	(4,277,778)	(4,278)	4,278	—	—
Issuance of warrants in May and June to a placement agent	—	—	—	—	—	—	66,319	—	66,319
Issuance of warrants with debt in January, February and March	—	—	—	—	—	—	171,053	—	171,053
Stock-based compensation	—	—	—	—	—	—	648,988	—	648,988
Accretions on Series B Preferred Stock	—	51,998	—	—	—	—	—	(51,998)	(51,998)
Common Stock cancelled in July	—	—	—	—	(5,129)	(5)	—	—	(5)
Net loss	—	—	—	—	—	—	—	(5,957,664)	(5,957,664)
Balances as of December 31, 2007	—	\$ —	—	\$ —	23,217,846	\$ 23,218	\$ 16,527,929	\$ (11,952,907)	\$ 4,598,240

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

WAFERGEN BIO-SYSTEMS, INC. AND SUBSIDIARIES
(A Development Stage Company)

Condensed Consolidated Statements of Stockholders' Equity (Deficit) and Comprehensive Income (Loss) (Unaudited)

	Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Total
	Shares	Amount	Shares	Amount				
Balances as of January 1, 2008	—	\$ —	23,217,846	\$ 23,218	\$ 16,527,929	\$ (11,952,907)	\$ —	\$ 4,598,240
Issuance of Units for cash in May, net of offering costs of \$88,743	—	—	1,585,550	1,586	3,477,158	—	—	3,478,744
Issuance of Common Stock in May for cash	—	—	27,536	27	4,052	—	—	4,079
Stock-based compensation	—	—	—	—	388,650	—	—	388,650
Net loss	—	—	—	—	—	(8,041,437)	—	(8,041,437)
Accretion on Redeemable Convertible Preference Shares in Subsidiary	—	—	—	—	—	(37,916)	—	(37,916)
Translation adjustment	—	—	—	—	—	—	13,566	13,566
Balances as of December 31, 2008	—	\$ —	24,830,932	\$ 24,831	\$ 20,397,789	\$ (20,032,260)	\$ 13,566	\$ 403,926
Total comprehensive income (loss)						\$ (8,041,437)	\$ 13,566	\$ (8,027,871)

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

WAFERGEN BIO-SYSTEMS, INC. AND SUBSIDIARIES
(A Development Stage Company)

Condensed Consolidated Statements of Stockholders' Equity (Deficit) and Comprehensive Income (Loss) (Unaudited)

	Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Total
	Shares	Amount	Shares	Amount				
Balances as of January 1, 2009	—	\$ —	24,830,932	\$ 24,831	\$ 20,397,789	\$ (20,032,260)	\$ 13,566	\$ 403,926
Cumulative effect of reclassification of warrants	—	—	—	—	(468,071)	368,627	—	(99,444)
Balances as of January 1, 2009, as adjusted	—	—	24,830,932	24,831	19,929,718	(19,663,633)	13,566	304,482
Issuance of Common Stock in June for cash upon exercise of warrants	—	—	71,041	71	100,097	—	—	100,168
Issuance of Units for cash in June and August, net of offering costs of \$781,122	—	—	5,009,000	5,009	4,489,117	—	—	4,494,126
Common Stock cancelled in June	—	—	(266)	—	—	—	—	—
Issuance of Common Stock in August, net of 4 shares forfeited in cashless exercise	—	—	10,794	11	(9)	—	—	2
Restricted Stock issued in July, August, September, October, November and December	—	—	130,000	130	(130)	—	—	—
Issuance of Units for cash in December, net of offering costs of \$534,028	—	—	3,308,335	3,308	3,582,802	—	—	3,586,110
Issuance of warrants in December for services	—	—	—	—	37,085	—	—	37,085
Issuance of Common Stock in December for cash	—	—	28,021	28	39,946	—	—	39,974
Stock-based compensation	—	—	—	—	838,952	—	—	838,952
Net loss	—	—	—	—	—	(10,620,488)	—	(10,620,488)
Accretion on Redeemable Convertible Preference Shares in Subsidiary	—	—	—	—	—	(178,162)	—	(178,162)
Translation adjustment	—	—	—	—	—	—	49,815	49,815
Balances as of December 31, 2009	—	\$ —	33,387,857	\$ 33,388	\$ 29,017,578	\$ (30,462,283)	\$ 63,381	\$ (1,347,936)
Total comprehensive income (loss)						\$ (10,620,488)	\$ 49,815	\$ (10,570,673)

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

WAFERGEN BIO-SYSTEMS, INC. AND SUBSIDIARIES
(A Development Stage Company)

Condensed Consolidated Statements of Stockholders' Equity (Deficit) and Comprehensive Income (Loss) (Unaudited)

	Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Total
	Shares	Amount	Shares	Amount				
Balances as of January 1, 2010	—	\$ —	33,387,857	\$ 33,388	\$ 29,017,578	\$ (30,462,283)	\$ 63,381	\$ (1,347,936)
Issuance of Units for cash in January, net of offering costs of \$77,299	—	—	82,000	82	29,904	—	—	29,986
Restricted Stock issued for services in January, February, March, April, May and June	—	—	170,000	170	(170)	—	—	—
Issuance of Common Stock in March for cash upon exercise of options	—	—	14,542	15	15,768	—	—	15,783
Issuance of Common Stock in April for cash upon exercise of warrants	—	—	250,000	250	562,250	—	—	562,500
Restricted Stock issued to employees in April	—	—	6,250	6	(6)	—	—	—
Issuance of Common Stock in April, net of 12 shares forfeited in cashless exercise	—	—	13,486	13	(11)	—	—	2
Issuance of Common Stock in June for cash upon exercise of options, net of 2,803 shares forfeited in cashless exercise	—	—	44,711	45	18,146	—	—	18,191
Stock-based compensation	—	—	—	—	597,823	—	—	597,823
Net loss	—	—	—	—	—	(3,804,769)	—	(3,804,769)
Accretion on Redeemable Convertible Preference Shares in Subsidiary	—	—	—	—	—	(144,313)	—	(144,313)
Translation adjustment	—	—	—	—	—	—	101,739	101,739
Balances as of June 30, 2010	—	\$ —	33,968,846	\$ 33,969	\$ 30,241,282	\$ (34,411,365)	\$ 165,120	\$ (3,970,994)
Total comprehensive income (loss)						\$ (3,804,769)	\$ 101,739	\$ (3,703,030)

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

WAFERGEN BIO-SYSTEMS, INC. AND SUBSIDIARIES
(A Development Stage Company)

Condensed Consolidated Statements of Cash Flows (Unaudited)

	Six Months Ended June 30,		Period From
	2010	2009	October 22, 2002
		(As restated, See Note 13)	(Inception) to June 30, 2010
Cash flows from operating activities:			
Net loss	\$ (3,804,769)	\$ (4,600,716)	\$ (34,263,603)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	178,722	307,164	1,092,382
Non cash miscellaneous income	—	—	(5)
Stock-based compensation	597,823	247,050	3,126,306
Issuance of warrants for services	—	—	37,085
Unrealized loss (gain) on fair value of warrants, net	(1,680,476)	(48,068)	(1,116,354)
Exchange loss on issuance of Redeemable Convertible Preference Shares in Subsidiary	3,005	18,029	21,034
Provision for excess and obsolete inventory	—	103,284	130,478
Equipment expensed as research & development costs	—	123,998	123,998
Issuance of Series A Preferred Stock for legal services	—	—	50,000
Issuance of Series A Preferred Stock for interest owed	—	—	107,494
Amortization of debt discount	—	—	171,053
Change in operating assets and liabilities:			
Accounts receivable	(216,183)	(29,475)	(475,038)
Inventories	(417,731)	4,558	(588,179)
Prepaid expenses and other current assets	(125,547)	(33,431)	(264,252)
Other assets	10,603	—	(47,401)
Accounts payable	66,565	(96,157)	1,309,373
Accrued rent	20,331	(11,099)	31,265
Accrued payroll	(17,284)	(10,280)	224,302
Accrued severance pay	(266,272)	615,680	105,324
Accrued vacation	31,484	(62,585)	149,062
Warranty reserve	16,650	—	16,650
Accrued other expenses	231,078	204,535	387,655
Net cash used in operating activities	(5,372,001)	(3,267,513)	(29,671,371)
Cash flows from investing activities:			
Purchase of property and equipment	(524,158)	(139,434)	(1,763,474)
Net cash used in investing activities	(524,158)	(139,434)	(1,763,474)
Cash flows from financing activities:			
Advances from (repayments to) related party, net	—	—	61,588
Repayment of capital lease obligations	(14,290)	(23,592)	(229,201)
Proceeds from issuance of notes payable	—	—	3,665,991
Net proceeds from issuance of Redeemable Convertible Preference Shares in Subsidiary	733,066	212,578	3,789,953
Repayments on notes payable	—	—	(510,000)
Proceeds from issuance of Series A Preferred Stock	—	—	66,037
Proceeds from issuance of Series B Preferred Stock	—	—	1,559,942
Proceeds from issuance of Common Stock and warrants, net of offering costs	644,377	3,864,337	24,384,373
Net cash provided by financing activities	1,363,153	4,053,323	32,788,683
Effect of exchange rates on cash	95,895	(19,353)	162,690
Net increase (decrease) in cash and cash equivalents	(4,437,111)	627,023	1,516,528
Cash and cash equivalents at beginning of the period	5,953,639	2,597,413	—
Cash and cash equivalents at end of the period	\$ 1,516,528	\$ 3,224,436	\$ 1,516,528

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

WAFERGEN BIO-SYSTEMS, INC. AND SUBSIDIARIES
(A Development Stage Company)

Notes to the Condensed Consolidated Financial Statements (Unaudited)

NOTE 1. The Company

General – WaferGen Bio-systems, Inc. and subsidiaries (the “Company”) are engaged in the development, manufacture and sales of systems for gene expression, genotyping and stem cell research for the life sciences, pharmaceutical drug discovery and biomarker discovery and diagnostic products industries. The Company’s products are aimed at professionals who perform genetic analysis and cell biology, primarily at pharmaceutical and biotech companies, academic and private research centers, and diagnostics companies involved in biomarker research. Through the SmartChip and SmartSlide™ products, the Company plans to provide new performance standards with significant savings of time and cost for professionals in the field of gene expression research facilitating biomarker discovery, toxicology, and clinical research.

Wafergen, Inc. was incorporated in the State of Delaware on October 22, 2002.

Scuttlebutt Yachts, Inc. was incorporated in the state of Nevada on August 4, 2005. On June 20, 2006, its name was changed to La Burbuja Café, Inc. On January 1, 2007, its name was changed to WaferGen Bio-systems, Inc.

Merger – On May 31, 2007, Wafergen, Inc. was acquired by WaferGen Bio-systems, Inc. In the transactions, Wafergen, Inc. merged with a subsidiary of WaferGen Bio-systems, Inc. and became a wholly owned subsidiary of WaferGen Bio-systems, Inc. (the “Merger”). The officers and board members of WaferGen Bio-systems, Inc. resigned and were replaced by officers of Wafergen, Inc. along with newly elected board members.

Concurrent with the closing of the Merger, WaferGen Bio-systems, Inc. consummated a private offering (the “Offering”) of 7,178,444 units of its securities (the “Units”), at a purchase price of \$1.50 per Unit, consisting of an aggregate of 7,178,447 shares of common stock and warrants to purchase an aggregate of an additional 2,153,533 share of common stock for a period of five years at an exercise price of \$2.25 per share (the “Investor Warrants”), which Investor Warrants are callable by the Company under certain circumstances.

On June 12, 2007, WaferGen Bio-systems, Inc. sold an additional 830,000 Units on the same terms consisting of an aggregate of 830,000 shares of common stock and warrants to purchase an aggregate of 249,000 shares of common stock.

Wafergen, Inc. had issued notes payable to a stockholder, our Chief Executive Officer, in the aggregate amount of \$750,000. Rather than accepting cash consideration for Units acquired by the same individual, the Company agreed to issue at the first closing 160,000 Units at a rate of one Unit for each \$1.50 of debt in consideration of his cancellation of \$240,000 of existing notes payable.

A summary is as follows:

Gross proceeds from initial offering	\$ 10,767,668
Gross proceeds from additional offering	1,245,000
	<u>12,012,668</u>
Gross proceeds	
Offering costs:	
Paid	(1,851,637)
Issuance of warrants to placement agent	(66,319)
	<u>(1,917,956)</u>
Total offering costs	
Gross proceeds less offering costs	10,094,712
Issuance of warrants to placement agent	66,319
Cancellation of debt	(240,000)
	<u>\$ 9,921,031</u>
Net proceeds	

WAFERGEN BIO-SYSTEMS, INC. AND SUBSIDIARIES
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Notes to the Condensed Consolidated Financial Statements (Unaudited)

We filed a registration statement (the “Registration Statement”) registering for resale (i) the shares of common stock included in the units sold in the offering, (ii) the shares of common stock underlying the warrants included in the units sold and (iii) the shares of common stock underlying the warrants issued to the Placement Agent in connection with the offering, consistent with the terms and provisions of the Registration Rights Agreement from the offering, which Registration Statement became effective on January 18, 2008.

The exercise price and number of shares of our common stock issuable on exercise of the warrants may be adjusted in certain circumstances, including in the event of a stock dividend, or our recapitalization, reorganization, merger or consolidation.

The warrants, at the option of the holder, may be exercised by cash payment of the exercise price or by “cashless exercise.” A “cashless exercise” means that in lieu of paying the aggregate purchase price for the shares being purchased upon exercise of the warrants in cash, the holder will forfeit a number of shares underlying the warrants with a “fair market value” equal to such aggregate exercise price. WaferGen Bio-systems, Inc. will not receive additional proceeds to the extent that warrants are exercised by cashless exercise.

Contemporaneously with the closing of the Merger, WaferGen Bio-systems, Inc. executed a Split-Off Agreement with certain of its shareholders whereby all the assets and liabilities of WaferGen Bio-systems, Inc. just prior to the Merger were assigned to such shareholders in exchange for their surrender of 4,277,778 shares of common stock of WaferGen Bio-systems, Inc. In addition, all of Wafergen, Inc.’s existing Series A Preferred Stock, Series B Preferred Stock, and common stock was converted into common stock of WaferGen Bio-systems, Inc. pursuant to the terms of the merger agreement based on an exchange ratio of .53991522 for 1.

A summary of the common stock outstanding of WaferGen Bio-systems, Inc. subsequent to the above was as follows:

WaferGen Bio-systems, Inc. shares outstanding prior to the Merger	11,277,782
Shares issued to Wafergen, Inc. shareholders	8,214,523
Shares issued in the offering	8,008,448
Shares cancelled in accordance with the Split-off Agreement	(4,277,778)
Total shares outstanding	<u>23,222,975</u>

WaferGen Bio-systems, Inc. also assumed all of Wafergen, Inc.’s outstanding stock options and warrants with proportionate adjustments to the number of underlying shares and exercise prices based on an exchange ratio of .53991522 for 1.

The transactions between WaferGen Bio-systems, Inc. and Wafergen, Inc. have been treated as a reverse merger and recapitalization of Wafergen, Inc. for reporting purposes. Wafergen, Inc. is the acquirer for accounting purposes. WaferGen Bio-systems, Inc. is the issuer. The historical financial statements for periods prior to the acquisition become those of the acquirer, Wafergen, Inc. In a recapitalization, historical stockholders’ equity of the acquirer prior to the merger is retroactively restated for the equivalent number of shares received in the merger after giving effect to any difference in par value of the issuer’s and acquirer’s stock with an offset to additional paid-in capital. Accumulated deficit of the acquirer is carried forward after the acquisition. Operations prior to the merger are those of the accounting acquirer. Earnings per share for the periods prior to the merger are restated to reflect the equivalent number of shares outstanding.

On January 24, 2008, the Company formed a new subsidiary in Kulim Hi-Tech Park, Kedah, Malaysia. The subsidiary, WaferGen Biosystems (M) Sdn. Bhd., will launch various initiatives to support a number of the Company’s ongoing development and commercialization goals. The Company owns 100% of the common stock and none of the preferred stock of this entity. See Note 6 below.

WAFERGEN BIO-SYSTEMS, INC. AND SUBSIDIARIES
(A Development Stage Company)

Notes to the Condensed Consolidated Financial Statements (Unaudited)

On December 23, 2009, the Company completed the first closing under a private placement offering (the "December 2009 Offering") with certain accredited investors, pursuant to which the Company sold an aggregate of 2,878,333 units at a price of \$1.50 per unit, with each unit consisting of one share of the Company's common stock and a warrant to purchase 25% of one share of the Company's common stock at an exercise price of \$2.50 per whole share. At initial issuance, the fair value of the 719,583 warrants was determined to be \$759,900 (as determined pursuant to the Monte Carlo Simulation approach, as described in Note 2). On December 30, 2009, the Company sold an additional 430,002 units in a second closing, including 107,502 warrants with a fair value of \$82,408. On January 6, 2010, the Company sold a further 82,000 units in a third closing, including 20,500 warrants with a fair value of \$15,715. Each unit in the second and third closing was sold at the same price, and with the same terms and conditions, as those sold in the first closing.

In total, the Company sold an aggregate of 3,390,335 shares of common stock and warrants to purchase 847,585 shares of common stock for \$2.50 in the December 2009 Offering, and received aggregate gross proceeds of \$5,085,500. Of these totals, the Company sold 82,000 shares of common stock and 20,500 warrants for gross proceeds of \$123,000 in the six months ended June 30, 2010.

The warrants issued in the December 2009 Offering have a term of five years and are subject to weighted average anti-dilution protection in the event the Company subsequently issues its shares of common stock, or securities convertible into shares of common stock, for a price per share less than the exercise price of the warrants. The warrants are immediately exercisable. In connection with the closing of the private placement, the Company entered into registration rights agreements with the investors purchasing units in the offering.

The Company retained a selling agent in connection with this private placement offering, and pursuant to the terms of a selling agency agreement, the Company issued the selling agent warrants to purchase 100,742, 15,050 and 2,870 shares of common stock at an exercise price of \$2.50 per whole share on the first, second and third closing, respectively. At initial issuance, the Company determined the total allocated fair value of the warrants to be \$120,123 (of which \$2,200 relates to warrants issued in the six months ended June 30, 2010). The warrants issued to the selling agent have the same terms as the warrants issued to the investors in the December 2009 Offering.

Management's Plan – The Company has incurred operating losses and negative cash flows from operations since its inception. Management expects that revenues will increase as a result of current and future product releases. However, the Company also expects to incur additional expenses for the development and expansion of its products, marketing campaigns, and operating costs as it expands its operations. Therefore, the Company expects operating losses and negative cash flows to continue for the foreseeable future and anticipates that losses will increase from current levels as the Company continues to grow and develop. It is management's plan to obtain additional working capital through additional financings. The Company believes that it will be successful in expanding operations, gaining market share, and raising additional funds. However, there can be no assurance that in the event the Company requires additional financing, such financing will be available at terms which are favorable, or at all. Failure to generate sufficient cash flows from operations or raise additional capital could have a material adverse effect on the Company's ability to achieve its intended business objectives. These factors raise substantial doubt about the Company's ability to continue as a going concern.

Going Concern – The Company's condensed consolidated financial statements have been presented on a basis that contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Company continues to face significant risks associated with the successful execution of its strategy given the current market environment for similar companies and failure to generate sufficient revenues or raise additional capital could have a material adverse effect on the Company's ability to continue as a going concern and to achieve its intended business objectives. These facts raise substantial doubt about the Company's ability to continue as a going concern, and there can be no assurance that the Company will be successful in its efforts to enhance its liquidity situation. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

WAFERGEN BIO-SYSTEMS, INC. AND SUBSIDIARIES
(A Development Stage Company)

Notes to the Condensed Consolidated Financial Statements (Unaudited)

NOTE 2. Summary of Significant Accounting Policies

Basis of Presentation – The Company has prepared the accompanying condensed consolidated financial statements pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”). Certain information and footnote disclosures normally included in consolidated financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to these rules and regulations. These condensed consolidated financial statements should be read in conjunction with our audited financial statements and footnotes related thereto for the year ended December 31, 2009, included in our Form 10-K/A filed with the SEC. In the opinion of management, the unaudited condensed consolidated financial statements include all adjustments (consisting only of normal recurring adjustments) necessary to present fairly the Company’s financial position and the results of its operations and cash flows.

The results of operations for such interim periods are not necessarily indicative of the results to be expected for the full year.

Basis of Consolidation – The condensed consolidated financial statements include the financial statements of WaferGen Bio-systems, Inc. and its subsidiaries. All significant transactions and balances between the WaferGen Bio-systems, Inc. and its subsidiaries have been eliminated in consolidation.

Use of Estimates – Preparing condensed consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Actual results and outcomes could differ from these estimates and assumptions.

Foreign Currencies – Assets and liabilities of non-U.S. subsidiaries that operate in a local currency environment, where that local currency is the functional currency, are translated into U.S. dollars at the exchange rate on the balance sheet date. Revenues and expenses are translated at the average rates of exchange prevailing during each reporting period. Remeasurement adjustments resulting from this process are charged or credited to other comprehensive income (loss).

Concentration of Credit Risk – Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of cash and accounts receivable. The Company places its cash in commercial banks. Accounts in the United States are secured by the Federal Deposit Insurance Corporation. Accounts in Malaysia are also guaranteed by the Malaysian government. The Company’s total deposits at commercial banks usually exceed the balances insured.

The Company generally requires no collateral from its customers.

At June 30, 2010, three customers accounted for 43%, 37% and 11%, respectively, of accounts receivable. At December 31, 2009, four different customers accounted for 30%, 29%, 28% and 12% of accounts receivable.

During the three months ended June 30, 2010, two customers accounted for 49% and 41%, respectively, of total revenues. During the three months ended June 30, 2009, one of these customers accounted for 98% of total revenues.

During the six months ended June 30, 2010, two customers accounted for 58% and 22%, respectively, of total revenues. During the six months ended June 30, 2009, one of these customers accounted for 61% of total revenues, and another customer accounted for 26% of total revenues.

Stock-Based Compensation – The Company measures the fair value of all stock-based awards to employees, including stock options, on the grant date and records the fair value of these awards, net of estimated forfeitures, to compensation expense over the service period. The fair value of awards to consultants is measured on the dates on which performance of services is completed, with interim valuations recorded at balance sheet dates while performance is in progress. The fair value of options is estimated using the Black-Scholes valuation model, and of restricted stock is based on the Company’s closing share price on the measurement date.

WAFERGEN BIO-SYSTEMS, INC. AND SUBSIDIARIES
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Notes to the Condensed Consolidated Financial Statements (Unaudited)

The weighted-average grant date fair value of options awarded in the six months ended June 30, 2010 and 2009, was \$0.72 and \$0.52, respectively. These fair values were estimated using the following assumptions:

	Six Months Ended June 30,	
	2010	2009
Risk-free interest rate	2.01% - 2.40%	1.31% - 2.72%
Expected term	4.75 Years	4.75 Years
Expected volatility	42.40% - 42.70%	40.04% - 41.49%
Dividend yield	0%	0%

Risk-Free Interest Rate. This is the United States Treasury rate for the day of the grant having a term equal to the expected term of the option. An increase in the risk-free interest rate will increase the fair value and the related compensation expense.

Expected Term. This is the period of time over which the award is expected to remain outstanding and is based on management's estimate, taking into consideration the vesting terms, the contractual life, and historical experience. An increase in the expected term will increase the fair value and the related compensation expense.

Expected Volatility. This is a measure of the amount by which the stock price has fluctuated or is expected to fluctuate. Since the Company's stock has not been traded for as long as the expected term of the options, the Company uses a weighted-average of the historic volatility of four comparable companies over the retrospective period corresponding to the expected life of the Company's own options on the grant date. Extra weighting is attached to those companies most similar in terms of size and business activity. An increase in the expected volatility will increase the fair value and the related compensation expense.

Dividend Yield. The Company has not made any dividend payments nor does it have plans to pay dividends in the foreseeable future. An increase in the dividend yield will decrease the fair value and the related compensation expense.

Forfeiture Rate. This is a measure of the amount of awards that are expected to not vest. An increase in the estimated forfeiture rate will decrease the related compensation expense.

Warrant Derivative Revaluation – The Company, beginning effective January 1, 2009, recognizes the fair value of warrants with anti-dilution provisions as liabilities. Warrants are valued when initially issued, and the liability is offset against additional paid in capital. Warrants are also revalued at each reporting date, and the change in their respective fair values is recorded as an unrealized gain or loss within other income and expenses in the statement of operations. The cumulative effect of the change in accounting for these instruments was recognized as an adjustment to the opening balance of accumulated deficit at January 1, 2009, and the transfer of the fair value of derivative warrant instruments as of January 1, 2009, from additional paid-in capital to warrant derivative liability. The Company determines the fair values of these securities using a Monte Carlo Simulation approach, with key input variables provided by management.

Fair values at measurement dates during the six months ended June 30, 2010 and 2009, were estimated using the following assumptions:

	Six Months Ended June 30,	
	2010	2009
Risk-free interest rate	0.75% - 2.16%	1.16% - 2.20%
Expected remaining term	2.31 - 4.00 Years	3.11 - 4.00 Years
Expected volatility	43.83% - 50.79%	43.26% - 49.78%
Dividend yield	0%	0%
Private Placement discount to stock price	10% - 15%	15%

WAFERGEN BIO-SYSTEMS, INC. AND SUBSIDIARIES
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Notes to the Condensed Consolidated Financial Statements (Unaudited)

Risk-Free Interest Rate. This is the United States Treasury rate for the measurement date having a term equal to the expected remaining term of the warrant. An increase in the risk-free interest rate will increase the fair value and the associated derivative liability.

Expected Remaining Term. This is the period of time over which the warrant is expected to remain outstanding and is based on management's estimate, taking into consideration the remaining contractual life, and historical experience. An increase in the expected remaining term will increase the fair value and the associated derivative liability.

Expected Volatility. This is a measure of the amount by which the stock price has fluctuated or is expected to fluctuate. Since the Company's stock has not been traded for as long as the expected remaining term of the warrants, the Company uses a weighted-average of the historic volatility of four comparable companies over the retrospective period corresponding to the expected remaining term of the warrants on the measurement date. Extra weighting is attached to those companies most similar in terms of size and business activity. An increase in the expected volatility will increase the fair value and the associated derivative liability.

Dividend Yield. The Company has not made any dividend payments nor does it have plans to pay dividends in the foreseeable future. An increase in the dividend yield will decrease the fair value and the associated derivative liability.

Private Placement Discount to Stock Price. This is the percentage amount by which future stock offerings are expected to be priced at a discount from the trading price of our common stock at the offering closing dates, and is based on management's estimate, taking into consideration future expectations and historical experience. An increase in the expected discount to stock price will increase the fair value and the associated derivative liability.

Warranty Reserve – Our standard warranty agreement is one year from shipment of certain products. We accrue for anticipated warranty costs upon shipment of these products. Our warranty reserve is based on management's judgment regarding anticipated rates of warranty claims and associated repair costs, and we update our assessment quarterly.

Net Income (Loss) Per Share – Basic net income (loss) per share is computed by dividing net income (loss) by the weighted average number of common shares outstanding during the period. Diluted income (loss) per share is calculated by dividing net income (loss) by the weighted average number of common shares outstanding plus common share equivalents from conversion of dilutive stock options, warrants, and restricted stock using the treasury method, and convertible securities using the as-converted method, except when antidilutive.

WAFERGEN BIO-SYSTEMS, INC. AND SUBSIDIARIES
(A Development Stage Company)

Notes to the Condensed Consolidated Financial Statements (Unaudited)

The following table presents the calculation of basic and diluted net income (loss) per share:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Net income (loss) attributable to common shareholders	\$ 645,706	\$ (2,873,075)	\$ (3,949,082)	\$ (4,672,132)
Weighted-average shares - basic	33,846,309	25,396,752	33,675,760	25,115,405
Common share equivalents from exercise of options	1,182,037	—	—	—
Common share equivalents from exercise of warrants	11,794	—	—	—
Shares issuable upon vesting of restricted stock	4,876	—	—	—
Total common share equivalents excluded from denominator for diluted earnings per share computation	35,045,016	25,396,752	33,675,760	25,115,405
Net income (loss) per share - basic	\$ 0.02	\$ (0.11)	\$ (0.12)	\$ (0.19)
Net income (loss) per share - diluted	\$ 0.02	\$ (0.11)	\$ (0.12)	\$ (0.19)

The following outstanding stock options, warrants, restricted stock and preferred stock (on an as-converted into common stock basis) were excluded from the computation of diluted net loss per share attributable to holders of common stock as they had antidilutive effects for the three and six months ended June 30, 2010 and 2009:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Shares issuable upon exercise of options	—	715,955	1,398,181	707,746
Shares issuable upon exercise of warrants	—	—	166,704	—
Shares issuable upon vesting of restricted stock	—	—	2,452	—
Shares issuable upon conversion of RCPS	—	921,568	1,652,615	905,228
Total common share equivalents excluded from denominator for diluted earnings per share computation	—	1,637,523	3,219,952	1,612,974

In the three months ended June 30, 2010, 1,472,797 options and 6,410,028 warrants were not considered in the calculation of diluted earnings per share attributable to common stockholders as the effect would have been antidilutive. Further, accretion of \$78,790 and the related RCPS potentially convertible into 1,772,440 shares of common stock were not reflected in the calculation of diluted earnings per share, as the accretion per common share obtainable on conversion exceeds basic earnings per share.

WAFERGEN BIO-SYSTEMS, INC. AND SUBSIDIARIES
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Recent Accounting Pronouncements

In January 2010, the FASB issued ASU 2010-06, "Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements". This guidance requires additional disclosures about fair value measurements, including information about purchases, sales, issuances and settlements in Level 3 (as described in Note 10). This guidance is effective for financial statements issued for fiscal years beginning after December 15, 2010, and will become effective for us on January 1, 2011. The Company expects the adoption of this guidance will not have a material impact on its consolidated financial condition or results of operations, but will require the Company to make additional disclosures.

The Company adopted ASU 2010-17, "Revenue Recognition – Milestone Method (Topic 605): Milestone Method of Revenue Recognition" on April 1, 2010. This guidance provides a definition of a milestone and determines when it may be appropriate to apply the milestone method of revenue recognition for research or development transactions. This guidance is effective for financial statements issued for fiscal years beginning after June 15, 2010, with early adoption permitted. The adoption of this guidance did not have a material impact on its consolidated financial condition or results of operations, as the Company does not presently have any contracts under which the milestone method is applicable.

The Company adopted ASU 2010-09, "Subsequent Events (Topic 855): Amendments to Certain Recognition and Disclosure Requirements" in February 2010. This guidance requires SEC filers to evaluate subsequent events through the date on which the financial statements are issued, and was effective immediately. The adoption of this guidance did not have a material impact on the Company's consolidated financial condition or results of operations.

The Company adopted ASU 2009-17, "Consolidations (Topic 810): Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities" on January 1, 2010, the first day of the Company's 2010 fiscal year. This guidance 1) replaces the quantitative-based risks and rewards calculation for determining whether an enterprise is the primary beneficiary in a variable interest entity ("VIE") with an approach that is primarily qualitative, 2) requires ongoing assessments of whether an enterprise is the primary beneficiary of a VIE, and 3) requires additional disclosures about an enterprise's involvement in VIEs. The adoption of this guidance did not have a material impact on the Company's consolidated financial condition or results of operations, as the Company has not engaged in transactions with VIEs.

The Company adopted ASU 2009-16, "Transfers and Servicing (Topic 860): Accounting for Transfers of Financial Assets" on January 1, 2010, the first day of the Company's 2010 fiscal year. This guidance requires enhanced disclosures about transfers of financial assets and a company's continuing involvement in transferred assets. The adoption of this guidance did not have a material impact on the Company's consolidated financial condition or results of operations, since the Company has not engaged in transfers of financial assets.

NOTE 3. Inventories

Inventories consisted of the following at June 30, 2010, and December 31, 2009:

	<u>June 30, 2010</u>	<u>December 31, 2009</u>
Raw materials	\$ 295,585	\$ —
Work in process	32,366	—
Finished goods	<u>260,228</u>	<u>170,448</u>
Total inventories	588,179	170,448
Less allowance for excess and obsolete inventory	<u>(130,478)</u>	<u>(130,478)</u>
Inventories, net	<u>\$ 457,701</u>	<u>\$ 39,970</u>

WAFERGEN BIO-SYSTEMS, INC. AND SUBSIDIARIES
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Notes to the Condensed Consolidated Financial Statements (Unaudited)

NOTE 4. Property and Equipment, net

Property and equipment, net consisted of the following at June 30, 2010, and December 31, 2009:

	<u>June 30, 2010</u>	<u>December 31, 2009</u>
Equipment	\$ 1,502,690	\$ 1,154,406
Tools and molds	73,067	72,437
Leasehold improvements	103,231	63,470
Furniture and fixtures	144,159	42,570
	<u>1,823,147</u>	<u>1,332,883</u>
Total property and equipment	1,823,147	1,332,883
Less accumulated depreciation and amortization	(1,027,340)	(890,887)
	<u>795,807</u>	<u>441,996</u>
Property and equipment, net	\$ 795,807	\$ 441,996

Depreciation and amortization expense totaled \$107,091 and \$217,039 for the three months ended June 30, 2010 and 2009, respectively, \$178,722 and \$307,164 for the six months ended June 30, 2010 and 2009, respectively, and \$1,092,382 for the period from inception to June 30, 2010.

Equipment includes the following amounts under capital leases:

	<u>June 30, 2010</u>	<u>December 31, 2009</u>
Cost	\$ 47,162	\$ 178,712
Accumulated depreciation	(45,197)	(168,886)
	<u>1,965</u>	<u>9,826</u>
Total	\$ 1,965	\$ 9,826

NOTE 5. Capital Lease Obligation

The Company leases equipment under a capital lease that expires in August 2011. Aggregate future obligations under the capital lease in effect as of June 30, 2010, are as follows:

	<u>Capital Lease</u>
Year ending June 30,	
2011	\$ 14,815
2012	2,279
	<u>17,094</u>
Total minimum lease obligations	17,094
Less amounts representing interest	(869)
	<u>16,225</u>
Present value of future minimum lease payments	16,225
Less current portion of capital lease obligation	(13,968)
	<u>2,257</u>
Capital lease obligation, less current portion	\$ 2,257

WAFERGEN BIO-SYSTEMS, INC. AND SUBSIDIARIES
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Interest expense related to capital leases totaled \$341 and \$1,061 for the three months ended June 30, 2010 and 2009, respectively, \$775 and \$3,263 for the six months ended June 30, 2010 and 2009, respectively, and \$24,134 for the period from inception to June 30, 2010.

NOTE 6. Redeemable Convertible Preference Shares in Subsidiary

On July 18, 2008, the Company's Malaysian subsidiary, WaferGen Biosystems (M) Sdn. Bhd. ("WGBM"), received \$1,000,000, less issuance costs totaling \$30,000, in exchange for the issuance of Series A Redeemable Convertible Preference Shares ("RCPS") of WGBM in a private placement to Malaysian Technology Development Corporation Sdn. Bhd. ("MTDC"), a venture capital and development firm in Malaysia. WGBM sold 444,444 Series A RCPS in this private placement at the U.S. dollar equivalent of \$2.25 per share. A second closing occurred on November 27, 2008, and WGBM received \$1,000,000, less issuance costs totaling \$30,000, from the sale of an additional 444,444 shares of Series A RCPS.

On June 8, 2009, WGBM received \$250,000, less an exchange loss of \$18,029 and issuance costs totaling \$19,393, in exchange for the issuance of 111,111 Series B RCPS to Expedient Equity Ventures Sdn. Bhd. ("EEV"), in a private placement at the U.S. dollar equivalent of \$2.25 per share. On March 9, 2010, WGBM received \$250,000, less an exchange loss of \$3,005 and issuance costs totaling \$8,929, in exchange for the issuance of a further 111,111 Series B RCPS to EEV, in a private placement at the U.S. dollar equivalent of \$2.25 per share. On September 23, 2009, WGBM received \$500,000, less issuance costs totaling \$7,500, in exchange for the issuance of 222,222 Series B RCPS to Prima Mahawangsa Sdn. Bhd. ("PMSB"), in a private placement at the U.S. dollar equivalent of \$2.25 per share. On May 13, 2010, WGBM received \$500,000, less issuance costs totaling \$5,000, in exchange for the issuance of a further 222,222 Series B RCPS to PMSB, in a private placement at the U.S. dollar equivalent of \$2.25 per share. These transactions represent the full subscription under a Share Subscription Agreement dated April 3, 2009, ("SSA") to sell 444,444 and 222,222 Series B RCPS to PMSB and EEV, respectively, both venture capital and development firms in Malaysia.

On September 18, 2009, WGBM received \$423,128, less issuance costs totaling \$11,319, in exchange for the issuance of 188,057 Series B RCPS to Kumpulan Modal Perdana Sdn. Bhd. ("KMP"), in a private placement at the U.S. dollar equivalent of \$2.25 per share. This represents the full amount receivable under an SSA dated July 1, 2009, to sell Series B RCPS to KMP, a venture capital and development firm in Malaysia.

Under the terms of a Deed of Adherence dated April 3, 2009, certain rights of the holders of the Series A RCPS were modified; also, the use of funds raised through the issuance of both Series A and Series B RCPS was restricted, requiring at least 60% of the total to be utilized for the Company's operations in Malaysia.

Following these modifications, the rights of the holders of RCPS include, but are not limited to, the right:

- (a) to put to the Company their RCPS (or ordinary shares in WGBM received on conversion of those RCPS under paragraph (c) below) at any time during the year 2011 that the share price of the Company's common stock is below \$2.25, to redeem for cash (or, for Series A, at the Company's option, and for Series B, at the holder's option, shares of Company common stock of equivalent value) the amount originally invested in USD plus a premium of 6% (for Series A) or 8% (for Series B), compounded annually, with yearly rests;
- (b) to cause the Company to exchange their RCPS for common stock of the Company at an exchange rate of US\$2.25 per share of common stock, provided, in the case of Series B RCPS, that commencing on August 1, 2010, if during the 10-day trading period immediately prior to the holder's conversion notice the average closing price of the Company's common stock is less than US\$2.647, then the holder's RCPS shall convert at an exchange rate equal to 85% of such 10-day average closing price. This option expires on May 8, 2013, for MTDC's Series A RCPS, on April 3, 2014, for EEV's and PMSB's Series B RCPS and on July 1, 2014, for KMP's Series B RCPS;
- (c) to convert their RCPS into ordinary shares of the subsidiary, WGBM, at any time, at a conversion rate of three ordinary shares per \$100 invested in RCPS;

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Notes to the Condensed Consolidated Financial Statements (Unaudited)

- (d) to cause the subsidiary, WGBM, to redeem the RCPS in whole or in part at any time after December 31, 2011, for the principal paid plus a premium of 20% per annum, not compounding, from funds legally available for distribution (i.e. retained earnings; there is presently an accumulated deficit in WGBM of approximately \$2 million);
- (e) until December 31, 2010, to put to Alnoor Shivji, our CEO and President, their Series B RCPS (the Series A RCPS put rights expired on May 15, 2009) for \$5.625 in cash per share in the event that Mr. Shivji (a) transfers, in one or more transactions, more than 2,603,425 shares of Common Stock, approximating 80% of his stockholding, to one or more persons other than his affiliates or relatives or (b) voluntarily resigns from the board of directors of the Company if such resignation is not approved by, or is not pursuant to a restructuring of the Company or the Malaysian Subsidiary approved by, holders of a majority of the outstanding Series A RCPS at the time of such resignation;
- (f) of first offer on any transfers or new issuance of subsidiary shares (for Series A only); and
- (g) for each of Series A and Series B RCPS, to appoint one of the seven directors of the subsidiary.

WGBM is authorized to issue 200,000,000 RCPS with a par value of RM0.01. There were 1,743,611 and 1,410,278 RCPS issued and outstanding at June 30, 2010, and December 31, 2009, respectively.

The balance in RCPS comprises the following at June 30, 2010, and December 31, 2009:

	June 30, 2010	December 31, 2009
SERIES A		
Proceeds from issuance of RCPS	\$ 2,000,000	\$ 2,000,000
Issuance costs	(60,000)	(60,000)
Accretion of issuance costs	35,416	25,416
Accretion of redemption premium	218,050	154,450
Total Series A RCPS	2,193,466	2,119,866
SERIES B		
Proceeds from issuance of RCPS	1,902,094	1,155,099
Issuance costs	(52,141)	(38,212)
Exchange loss on issuance	21,034	18,029
Accretion of issuance costs	16,726	4,538
Accretion of redemption premium	90,199	31,674
Total Series B RCPS	1,977,912	1,171,128
Total RCPS	\$ 4,171,378	\$ 3,290,994

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NOTE 7. Stock Awards

In 2003, Wafergen, Inc.'s Board of Directors adopted the 2003 Incentive Stock Plan (the "2003 Plan"). The 2003 Plan authorized the Board of Directors to grant incentive stock options and non-statutory stock options to employees, directors, and consultants for up to 1,500,000 shares of common stock. Under the Plan, incentive stock options and nonqualified stock options could be granted. Incentive stock options were to be granted at a price that is no less than 100% of the fair value of the stock at the date of grant. Options vest over a period according to the Option Agreement, and are exercisable for a maximum period of ten years after date of grant. Options granted to stockholders who own more than 10% of the outstanding stock of WaferGen at the time of grant must be issued at an exercise price no less than 110% of the fair value of the stock on the date of grant. In November 2006, WaferGen increased the aggregate number of shares of Common Stock that may be issued under the 2003 Plan to a total authorized reserve of 2,500,000 shares, a 1,000,000 share increase. The 2003 Plan was frozen when the 2007 Plan was adopted, resulting in no further options available for grant.

In January 2007, the Company's Board of Directors and stockholders adopted the 2007 Stock Option Plan (the "2007 Plan"). The purpose of the 2007 Plan was to provide an incentive to retain the employment of directors, officer, consultants, advisors and employees of the Company, persons of training, experience and ability, to attract new directors, officers, consultants, advisors and employees whose services are considered valuable, to encourage the sense of proprietorship, and to stimulate the active interest of such persons into the Company's development and financial success. Under the 2007 Plan, the Company was authorized to issue incentive stock options intended to qualify under Section 422 of the Code, non-qualified stock options and restricted stock. The 2007 Plan was frozen when the 2008 Plan was adopted, resulting in no further options available for grant.

On June 5, 2008, the Company's stockholders adopted the 2008 Stock Incentive Plan (the "2008 Plan") following approval of the 2008 Plan by the Board of Directors. The 2008 Plan initially authorized the issuance of up to 2,000,000 shares of common stock pursuant to the terms of the 2008 Plan. On December 4, 2009, the Company's stockholders approved an amendment to the 2008 Plan, adding an additional 1,500,000 shares, bringing the total to 3,500,000 shares of our common stock available for issuance under the 2008 Plan. Notwithstanding the foregoing, no more than 1,750,000 shares of our common stock may be granted pursuant to awards of restricted stock and restricted stock units. The number of shares of our common stock available under the 2008 Plan will be subject to adjustment in the event of a stock split, stock dividend or other extraordinary dividend, or other similar change in our common stock or our capital structure. The purpose of the 2008 Plan is to provide an incentive to retain the employment of directors, officers, consultants, advisors and employees of the Company, to attract new personnel whose training, experience and ability are considered valuable, to encourage the sense of proprietorship, and to stimulate the active interest of such persons in the Company's development and financial success. Under the 2008 Plan, the Company is authorized to issue incentive stock options intended to qualify under Section 422 of the Code, non-qualified stock options and restricted stock. Awards may vest over varying periods, as specified by the Company's Board of Directors for each grant, and have a maximum term of seven years from the grant date. The 2008 Plan is administered by the Company's Board of Directors.

The Company has issued both options and restricted stock under these Plans. Restricted stock grants afford the recipient the opportunity to receive shares of common stock, subject to certain terms, whereas options give them the right to purchase common stock at a set price. Both the Company's options and restricted stock issued to employees generally have vesting restrictions that are eliminated over a four-year period, although vesting may be over a shorter period, or may occur on the grant date, depending on the terms of each individual award.

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A summary of stock option and restricted stock transactions in the six months ended June 30, 2010, is as follows:

	Shares Available for Grant	Stock Options		Restricted Stock	
		Number of Options Outstanding	Weighted Average Exercise Price	Number of Shares Outstanding	Weighted Average Grant-Date Fair Value
Balance at January 1, 2010	1,437,979	4,149,402	\$ 1.4246	8,208	\$ 1.1055
Granted	(987,250)	811,000	\$ 1.8209	176,250	\$ 2.0745
Exercised	—	(75,554)	\$ 0.5099	—	\$ —
Vested	—	—	\$ —	(176,073)	\$ 2.0279
Forfeited	30,021	(41,539)	\$ 1.4764	—	\$ —
Cancelled	24,000	(79,000)	\$ 2.0858	—	\$ —
Balance at June 30, 2010	504,750	4,764,309	\$ 1.4952	8,385	\$ 2.1031

The weighted average fair value of options granted in the six months ended June 30, 2010 and 2009, was \$0.72 and \$0.52, respectively. The fair value of shares vested in the six months ended June 30, 2010 and 2009, was \$211,376 and \$289,266, respectively.

The aggregate intrinsic value of options outstanding and exercisable at June 30, 2010, was \$826,660 and \$735,160, respectively. Aggregate intrinsic value is the total pretax amount (i.e., the difference between the Company's stock price and the exercise price) that would have been received by the option holders had all their in-the-money options been exercised.

The Company received \$38,527 for the 75,554 options exercised during the six months ended June 30, 2010, which had an intrinsic value of \$98,121. There were no options exercised during the six months ended June 30, 2009.

The following table summarizes information concerning outstanding options as of June 30, 2010:

Range of Exercise Prices	Options Outstanding			Options Exercisable		
	Number Outstanding as of June 30, 2010	Weighted Average Remaining Contractual Life (in Years)	Weighted Average Exercise Price	Number Exercisable as of June 30, 2010	Weighted Average Remaining Contractual Life (in Years)	Weighted Average Exercise Price
\$ 0.0002 - 0.0185	161,973	3.97	\$ 0.0075	161,973	3.97	\$ 0.0075
\$ 0.1482 - 0.4630	410,336	6.37	\$ 0.3595	404,602	6.37	\$ 0.3618
\$ 0.6000 - 1.0000	254,500	5.38	\$ 0.9371	170,791	5.40	\$ 0.9063
\$ 1.1000 - 1.6500	2,343,000	6.43	\$ 1.4162	1,113,871	6.47	\$ 1.4450
\$ 1.7800 - 2.3900	1,594,500	6.73	\$ 2.1437	905,168	6.67	\$ 2.1179
	4,764,309	6.39	\$ 1.4952	2,756,405	6.31	\$ 1.3891

The amounts expensed for stock-based compensation totaled \$258,877 and \$143,847 for the three months ended June 30, 2010 and 2009, respectively, \$597,823 and \$247,050 for the six months ended June 30, 2010 and 2009, respectively, and \$3,126,306 for the period from inception to June 30, 2010. The sum expensed in the three and six months ended June 30, 2010, includes \$148,040 and \$350,690, respectively, for restricted stock awards to consultants.

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At June 30, 2010, the total stock-based compensation cost not yet recognized, net of estimated forfeitures, was \$1,026,325. This cost is expected to be recognized over an estimated weighted average amortization period of 2.86 years. No amounts related to stock-based compensation costs have been capitalized. The tax benefit and the resulting effect on cash flows from operating and financing activities related to stock-based compensation costs were not recognized as the Company currently provides a full valuation allowance for all of its deferred taxes.

NOTE 8. Warrant Derivative Liabilities

The Company has incurred liabilities for the estimated fair value of derivative warrant instruments. The estimated fair value of the derivative warrant instruments has been calculated using a Monte Carlo Simulation approach, with key input variables provided by management, as of each issuance date, with the valuation offset against additional paid in capital, and at each reporting date, with changes in fair value recorded as unrealized gains or losses in non-operating income (expense).

During the six months ended June 30, 2010, a \$1,680,476 decrease in the fair value of the warrant derivative liability was recorded as an unrealized gain on the fair value of warrants, net.

The fair value of warrants ranged from \$0.24 to \$0.36 at June 30, 2010, and from \$0.52 to \$0.97 at December 31, 2009.

A summary of activity in warrant derivative liabilities is included in Note 10.

A summary of outstanding common stock warrants as of June 30, 2010, is as follows:

Securities Into Which Warrants are Convertible	Warrants Outstanding	Warrants Subject to Anti-Dilution	Exercise Price	Expiration Date
Common Stock	44,401	—	\$ 1.41	March 2012
Common Stock	1,795,062	1,795,062	\$ 1.95	June and August 2014
Common Stock	2,666,459	—	\$ 2.25	May and June 2012
Common Stock	966,247	966,247	\$ 2.50	December 2014 and January 2015
Common Stock	752,040	752,040	\$ 2.53	May 2013
Common Stock	200,000	—	\$ 3.00	December 2014 and November 2015
Total	<u>6,424,209</u>	<u>3,513,349</u>		

The warrants expiring in June and August 2014 were originally issued in June and August 2009 with an exercise price of \$2.00 and entitled the holders thereof to purchase an aggregate of 1,750,185 shares. As a result of anti-dilution adjustments with respect to such warrants pursuant to their terms, such warrants, as of June 30, 2010, had an exercise price of \$1.95 and entitled the holders thereof to purchase an aggregate of 1,795,062 shares.

The warrants expiring in May 2013 were originally issued in May 2008 with an exercise price of \$3.00 and entitled the holders thereof to purchase an aggregate of 634,220 shares. As a result of weighted-average anti-dilution adjustments with respect to such warrants pursuant to their terms, such warrants, as of June 30, 2010, had an exercise price of \$2.53 and entitled the holders thereof to purchase an aggregate of 752,040 shares.

The exercise price of 50,000 warrants expiring in December 2014 was amended from \$3.25 to \$3.00 in the second quarter of 2010. The change in their fair value was not significant, and no expense was recorded.

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Notes to the Condensed Consolidated Financial Statements (Unaudited)

NOTE 9. Cash Flow Information

Cash paid during the six months ended June 30, 2010 and 2009, and the period from inception to June 30, 2010, is as follows:

	Six Months Ended June 30,		Period From October 22, 2002 (Inception) to June 30, 2010
	2010	2009	
Interest	\$ 1,933	\$ 4,504	\$ 44,474
Income taxes	\$ —	\$ —	\$ —

Supplemental disclosure of non-cash investing and financing activities for the six months ended June 30, 2010 and 2009, and the period from inception to June 30, 2010, is as follows:

	Six Months Ended June 30,		Period From October 22, 2002 (Inception) to June 30, 2010
	2010	2009	
Accretion on Series B Preferred Stock	\$ —	\$ —	\$ 155,998
Accretion on Redeemable Convertible Preference Shares	\$ 144,313	\$ 71,416	\$ 360,391
Conversion of due to a stockholder to notes payable	\$ —	\$ —	\$ 61,588
Issuance of warrants with notes payable	\$ —	\$ —	\$ 171,053
Conversion of debt to Common Stock	\$ —	\$ —	\$ 240,000
Conversion of debt to Series A Preferred Stock	\$ —	\$ —	\$ 2,977,579
Deposit in equipment in 2007 lapsed in 2008	\$ —	\$ —	\$ 51,446
Property and equipment acquired with capital leases	\$ —	\$ —	\$ 256,326
Issuance of warrants to agents with private placement	\$ 2,200	\$ 76,660	\$ 354,834
Cumulative effect of reclassification of warrants	\$ —	\$ 99,444	\$ 99,444

NOTE 10. Fair Value of Financial Instruments

Fair value measurements are determined under a three-level hierarchy for fair value measurements that prioritizes the inputs to valuation techniques used to measure fair value, distinguishing between market participant assumptions developed based on market data obtained from sources independent of the reporting entity ("observable inputs") and the reporting entity's own assumptions about market participant assumptions developed based on the best information available in the circumstances ("unobservable inputs").

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Fair value is the price that would be received to sell an asset or would be paid to transfer a liability (i.e., the “exit price”) in an orderly transaction between market participants at the measurement date. In determining fair value, we primarily use prices and other relevant information generated by market transactions involving identical or comparable assets (“market approach”). We also consider the impact of a significant decrease in volume and level of activity for an asset or liability when compared with normal activity to identify transactions that are not orderly.

The highest priority is given to unadjusted quoted prices in active markets for identical assets (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Securities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

The three hierarchy levels are defined as follows:

Level 1 – Quoted prices in active markets that are unadjusted and accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2 – Quoted prices for identical assets and liabilities in markets that are not active, quoted prices for similar assets and liabilities in active markets or financial instruments for which significant inputs are observable, either directly or indirectly;

Level 3 – Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

Credit risk adjustments are applied to reflect the Company’s own credit risk when valuing all liabilities measured at fair value. The methodology is consistent with that applied in developing counterparty credit risk adjustments, but incorporates the Company’s own credit risk as observed in the credit default swap market.

The following table presents the Company’s assets and liabilities that are measured at fair value on a recurring basis at June 30, 2010:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial Assets:				
Cash and cash equivalents	\$ 1,516,528	\$ —	\$ —	\$ 1,516,528
Financial Liabilities:				
Warrant derivative liabilities	\$ —	\$ —	\$ 1,115,630	\$ 1,115,630

The following table sets forth a reconciliation of changes in the six months ended June 30, 2010, in the fair value of warrant derivative liabilities classified as level 3 in the fair value hierarchy:

Balance at January 1, 2010	\$ 2,778,191
Additions - fair value of warrants issued in January 2010	17,915
Change in unrealized (gains) losses, net ⁽¹⁾	(1,680,476)
Transfers	—
Balance at June 30, 2010	\$ 1,115,630

(1) Reported in other income and expenses in the Condensed Consolidated Statements of Operations.

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Notes to the Condensed Consolidated Financial Statements (Unaudited)

NOTE 11. Contingencies

From time to time we may be involved in claims arising in connection with our business. Although there can be no assurance as to the ultimate outcome, we generally have denied, or believe we have a meritorious defense and will deny, liability in all cases pending against the Company, including the matters described below, and we intend to defend vigorously each such case. Based on information currently available, we believe that the amount, or range, of reasonably possible losses in connection with the actions against us, including the matters described below, in excess of established reserves, in the aggregate, not to be material to our consolidated financial condition or cash flows. However, losses may be material to the Company's operating results for any particular future period, depending on the level of income for such period.

Vida Communication v. WaferGen. In July 2009, an action entitled Vida Communication, Inc. ("Vida") v. WaferGen Bio-systems, Inc. was filed in the San Francisco Superior Court. Vida, a company that had been providing investor relations services, is suing the Company for a total of \$165,000. The case is in the discovery stage. The Company believes the claims are without merit, and intends to vigorously defend itself against such action.

In addition, we anticipate that we will expend significant financial and managerial resources to defend our intellectual property rights in the future if we believe that our rights have been infringed. We also anticipate that we will expend significant financial and managerial resources to defend against claims that our products and services infringe upon the intellectual property rights of third parties.

NOTE 12. Subsequent Events

The Company's management has evaluated its subsequent events through the date of filing these condensed consolidated financial statements and has identified the following event:

In connection with its closing of a registered direct offering on July 7, 2010, the Company received approximately \$6.8 million, net of issuance costs of approximately \$0.4 million, for the issuance of approximately 6.0 million shares of its common stock and warrants to purchase a total of approximately 3.0 million shares of its common stock for \$1.55, expiring after five years, in a securities purchase agreement with certain accredited investors. The Company also issued warrants to purchase a total of approximately 0.2 million shares of its common stock for \$1.50, expiring after five years, to placement agents and certain related parties in connection with the registered direct offering.

NOTE 13. Restatement of Consolidated Financial Statements

Correction of an Error in Accounting for Warrant Derivative Liabilities

Subsequent to the filing on March 22, 2010, of the Company's original Form 10-K for the year ended December 31, 2009, the Company concluded that warrants containing anti-dilution provisions to purchase 3,489,979 shares of the Company's common stock should be reclassified as liabilities in accordance with ASC 815-40. As a result, the Company subsequently filed an amendment to its Form 10-K on May 12, 2010, in order to restate its financial statements for the year ended December 31, 2009, and the interim periods within year ended December 31, 2009. Accordingly, unrealized gain on fair value of warrants, net, warrant derivative liabilities, additional paid in capital and accumulated deficit for the three and six months ended June 30, 2009, have been restated in this Form 10-Q.

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The impact of the restatement on the consolidated statements of operations and cash flows for the three and six months ended June 30, 2009, and comparison to the amounts originally reported, are detailed in the tables below.

Three Months Ended June 30, 2009			
	As Previously Reported	Adjustment	As Restated
Consolidated Statements of Operations Data:			
Revenue	\$ 68,918	\$ —	\$ 68,918
Gross margin	(55,014)	—	(55,014)
Operating loss	(2,824,269)	—	(2,824,269)
Unrealized gain on fair value of warrants, net	—	34,325 ⁽¹⁾	34,325
Total other income and (expenses)	(46,715)	34,325	(12,390)
Net loss	(2,870,984)	34,325	(2,836,659)
Net loss applicable to common stockholders	(2,907,400)	34,325	(2,873,075)
Net loss per share - basic and diluted	(0.11)	—	(0.11)

Six Months Ended June 30, 2009			
	As Previously Reported	Adjustment	As Restated
Consolidated Statements of Operations Data:			
Revenue	\$ 110,756	\$ —	\$ 110,756
Gross margin	(29,008)	—	(29,008)
Operating loss	(4,626,165)	—	(4,626,165)
Unrealized gain on fair value of warrants, net	—	48,068 ⁽²⁾	48,068
Total other income and (expenses)	(22,619)	48,068	25,449
Net loss	(4,648,784)	48,068	(4,600,716)
Net loss applicable to common stockholders	(4,720,200)	48,068	(4,672,132)
Net loss per share - basic and diluted	(0.19)	—	(0.19)

Consolidated Statements of Cash Flows Data:			
Net loss	(4,648,784)	48,068	(4,600,716)
Unrealized gain on fair value of warrants, net	—	(48,068)	(48,068)
Net cash used in operating activities	(3,267,513)	—	(3,267,513)

(1) Represents the net unrealized gain arising from the revaluation of outstanding warrants with anti-dilution provisions that arose in the three months ended June 30, 2009.

(2) Represents the net unrealized gain arising from the revaluation of outstanding warrants with anti-dilution provisions that arose in the six months ended June 30, 2009.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion highlights the principal factors that have affected our financial condition and results of operations as well as our liquidity and capital resources for the periods described.

The information contained in this Form 10-Q is intended to update the information contained in our annual report on Form 10-K for the year ended December 31, 2009, as amended, (the "Form 10-K") and our quarterly report on Form 10-Q for the quarter ended March 31, 2010 (the "First Quarter Form 10-Q"), both as filed with the Securities and Exchange Commission, and presumes that readers have access to, and will have read, the "Management's Discussion and Analysis of Financial Condition and Results of Operations", our consolidated financial statements and the notes thereto, and other information contained in the Form 10-K and the First Quarter Form 10-Q. The following discussion and analysis also should be read together with our condensed consolidated financial statements and the notes to the condensed consolidated financial statements and the notes thereto included elsewhere in this Form 10-Q.

Forward-Looking Statements

Information included in this Form 10-Q may contain forward-looking statements. Except for the historical information contained in this discussion of the business and the discussion and analysis of financial condition and results of operations, the matters discussed herein are forward looking statements. These forward looking statements include but are not limited to the Company's plans for sales growth and expectations of gross margin, expenses, new product introduction, and the Company's liquidity and capital needs. This information may involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from future results, performance or achievements expressed or implied by any forward-looking statements. Forward-looking statements, which involve assumptions and describe our future plans, strategies and expectations, are generally identifiable by use of the words "may," "will," "should," "expect," "anticipate," "estimate," "believe," "intend" or "project" or the negative of these words or other variations on these words or comparable terminology. In addition to the risks and uncertainties described in "Risk Factors" contained in the Form 10-K, these risks and uncertainties may include consumer trends, business cycles, scientific developments, changes in governmental policy and regulation, currency fluctuations, economic trends in the United States and inflation. Forward-looking statements are based on assumptions that may be incorrect, and there can be no assurance that any projections or other expectations included in any forward-looking statements will come to pass. Our actual results could differ materially from those expressed or implied by the forward-looking statements as a result of various factors. Except as required by applicable laws, we undertake no obligation to update publicly any forward-looking statements for any reason, even if new information becomes available or other events occur in the future.

Company Overview and Background

Wafergen, Inc. was incorporated in the State of Delaware on October 22, 2002. WaferGen Bio-systems, Inc. and subsidiaries (the "Company") are engaged in the development, manufacture and sales of systems for gene expression, genotyping and stem cell research for the life sciences, pharmaceutical drug discovery and biomarker discovery and diagnostic products industries. The Company's products are aimed at professionals who perform genetic analysis and cell biology, primarily at pharmaceutical and biotech companies, academic and private research centers, and diagnostics companies involved in biomarker research. Through the SmartChip and SmartSlide™ products, the Company plans to provide new performance standards with significant savings of time and cost for professionals in the field of gene expression research facilitating biomarker discovery, toxicology and clinical research.

On August 5, 2010, the Company announced the commercial launch of the SmartChip Real-Time PCR System and its related products and services. The Company began to sell the System in the first quarter of 2010 to customers participating in the Early-Access Program. The Company also generated revenue in the second quarter of 2010 from pre-commercialization sales of Real-Time PCR Chips, and through fees charged for its SmartChip Gene Expression Profiling Services program.

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The Company's revenue is subject to fluctuations due to the timing of sales of high-value products and service projects, the impact of seasonal spending patterns, the timing and size of research projects its customers perform, changes in overall spending levels in the life science industry and other unpredictable factors that may affect customer ordering patterns. Any significant delays in the commercial launch or any lack or delay of commercial acceptance of new products, unfavorable sales trends in existing product lines, or impacts from the other factors mentioned above, could adversely affect the Company's revenue growth or cause a sequential decline in quarterly revenue. Due to the possibility of fluctuations in the Company's revenue and net income or loss, the Company believes that quarterly comparisons of its operating results are not a good indication of future performance.

Since inception, the Company has incurred substantial operating losses. As of June 30, 2010, the Company's accumulated deficit was \$34,411,365 and the total stockholders' deficit was \$3,970,994. Losses have principally occurred as a result of the substantial resources required for the research, development and manufacturing scale-up effort required to commercialize the Company's initial products and services. The Company expects to continue to incur substantial costs for research, development, and manufacturing scale-up activities for at least the next year. The Company will also need to increase its selling, general and administrative costs as it builds up its sales and marketing infrastructure to expand and support the sale of systems, other products, and services.

Results of Operations

The following table presents selected items in the condensed consolidated statements of operations for the three months and six months ended June 30, 2010 and 2009, respectively:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Revenue	\$ 431,894	\$ 68,918	\$ 821,679	\$ 110,756
Cost of revenue	135,894	123,932	271,749	139,764
Gross margin	296,000	(55,014)	549,930	(29,008)
Operating expenses:				
Sales and marketing	475,143	180,338	724,949	316,186
Research and development	1,496,443	1,214,701	3,038,711	2,174,589
General and administrative	1,160,049	1,374,216	2,203,954	2,106,382
Total operating expenses	3,131,635	2,769,255	5,967,614	4,597,157
Operating loss	(2,835,635)	(2,824,269)	(5,417,684)	(4,626,165)
Other income and (expenses):				
Interest income	1,949	1,384	7,107	4,456
Interest expense	(1,067)	(1,928)	(1,674)	(4,760)
Unrealized gain on fair value of warrants, net	3,567,168	34,325	1,680,476	48,068
Miscellaneous expense	(7,919)	(46,171)	(72,994)	(22,315)
Total other income (expense)	3,560,131	(12,390)	1,612,915	25,449
Net income (loss) before provision for income taxes	724,496	(2,836,659)	(3,804,769)	(4,600,716)
Provision for income taxes	—	—	—	—
Net income (loss)	\$ 724,496	\$ (2,836,659)	\$ (3,804,769)	\$ (4,600,716)

Revenue

The following table presents our revenue for the three months and six months ended June 30, 2010 and 2009, respectively:

Three Months Ended June 30,			Six Months Ended June 30,		
2010	2009	% Change	2010	2009	% Change
\$ 431,894	\$ 68,918	527%	\$ 821,679	\$ 110,756	642%

For the three months ended June 30, 2010, revenue increased by \$362,976, or 527%, as compared to the three months ended June 30, 2009. The increase is primarily due to our first sales of Real-Time PCR Chips, accounting for 24% of revenue, our first Fee for Service sales, accounting for 18% of revenue, and sales of our SmartChip Real-Time PCR Systems to early access customers, accounting for 58% of the total, offset by the absence of revenue from SmartSlide™ products.

For the six months ended June 30, 2010, revenue increased by \$710,923, or 642%, as compared to the six months ended June 30, 2009. The increase is primarily due to the first sales of our SmartChip Real-Time PCR Systems to early access customers, Real-Time PCR Chips and Fee for Service, accounting for 62%, 13% and 9% of total revenue, respectively. There was also an increase in revenue of approximately \$13,000 from SmartSlide™ products, which accounted for 16% of revenue in the six months ended June 30, 2010, compared to 100% in the six months ended June 30, 2009. This 2010 revenue was all billed in the first quarter, and significant sales of SmartSlide™ products are not expected in the future.

Cost of Revenue

The following table presents the cost of revenue for the three months and six months ended June 30, 2010 and 2009, respectively:

Three Months Ended June 30,			Six Months Ended June 30,		
2010	2009	% Change	2010	2009	% Change
\$ 135,894	\$ 123,932	10%	\$ 271,749	\$ 139,764	94%

Cost of sales includes the cost of products paid to third party vendors and raw materials, labor and overhead for products manufactured internally, and reserves for warranty and inventory obsolescence.

For the three months ended June 30, 2010, cost of revenue increased by \$11,962, or 10%, as compared to the three months ended June 30, 2009. The increase related primarily to the increase in revenues from sales of SmartChip products and services, which generated no revenue in 2009, offset by the absence of a provision for obsolete SmartSlide™ products inventory, which represented 83% of cost of revenue in the three months ended June 30, 2009. Gross margin for the three months ended June 30, 2010, was 69%, as compared to 70%, after reversing the impact of the provision for obsolete inventory, for the three months ended June 30, 2009, as margins are broadly consistent for both SmartSlide™ and SmartChip products and services.

For the six months ended June 30, 2010, cost of revenue increased by \$131,985, or 94%, as compared to the six months ended June 30, 2009. The increase related primarily to the increase in revenues from sales of SmartChip products and services, which generated no revenue in 2009, offset by the absence of a provision for obsolete SmartSlide™ products inventory, which represented 74% of cost of revenue in the six months ended June 30, 2009. Gross margin for the six months ended June 30, 2010, was 67% which, after reversing the impact of the provision for obsolete inventory, is the same as for the three months ended June 30, 2009, as margins are broadly consistent for both SmartSlide™ and SmartChip products and services.

Sales and Marketing

The following table presents the sales and marketing expenses for the three months and six months ended June 30, 2010 and 2009, respectively:

Three Months Ended June 30,			Six Months Ended June 30,		
2010	2009	% Change	2010	2009	% Change
\$ 475,143	\$ 180,338	163%	\$ 724,949	\$ 316,186	129%

Sales and marketing expenses consist primarily of compensation cost of our sales and marketing team, commissions, and the costs associated with various marketing programs.

For the three months ended June 30, 2010, sales and marketing expenses increased by \$294,805, or 163%, as compared to the three months ended June 30, 2009. The increase resulted primarily from increases in salaries and wages, including commissions, non-cash stock compensation expense, consulting fees, trade shows and travel and subsistence costs, which arose due to an increase in the head count of sales and marketing employees and consultants, and increases in promotional activities in conjunction with the commercialization and early-access sales of our SmartChip products and services.

For the six months ended June 30, 2010, sales and marketing expenses increased by \$408,763, or 129%, as compared to the six months ended June 30, 2009. The increase resulted primarily from increases in salaries and wages, including commissions, non-cash stock compensation expense, consulting fees, trade shows and travel and subsistence costs, which arose due to an increase in the head count of sales and marketing employees and consultants, and increases in promotional activities in conjunction with the commercialization and early-access sales of our SmartChip products and services.

We expect selling expenses will continue to increase in the future as the Company increases its marketing activities for SmartChip, and as the number of sales personnel, and their commissions, increase with the full commercialization of this product line.

Research and Development

The following table presents the research and development expense for the three months and six months ended June 30, 2010 and 2009, respectively:

Three Months Ended June 30,			Six Months Ended June 30,		
2010	2009	% Change	2010	2009	% Change
\$ 1,496,443	\$ 1,214,701	23%	\$ 3,038,711	\$ 2,174,589	40%

Research and development expenses consist primarily of salaries and other personnel-related expenses, laboratory supplies and other expenses related to the design, development, testing and enhancement of our products. Research and development expenses are expensed as they are incurred.

For the three months ended June 30, 2010, research and development expenses increased \$281,742, or 23%, as compared to the three months ended June 30, 2009. The increase resulted primarily from increases in salaries and wages and facilities costs, which arose due to an increase in the head count of employees and an expansion in space occupied in conjunction with the development of SmartChip products and services, offset by a reduction in depreciation expense, which was high in 2009 as depreciation was accelerated on research equipment and tools and molds assessed as having no future benefit.

For the six months ended June 30, 2010, research and development expenses increased \$864,122, or 40%, as compared to the six months ended June 30, 2009. The increase resulted primarily from increases in salaries and wages, expendable equipment and materials, and facilities costs, which arose due to an increase in the head count of employees, consumables used in SmartChip development, and an expansion in space occupied in conjunction with the development of SmartChip products and services, offset by a reduction in depreciation expense, which was high in 2009 as depreciation was accelerated on research equipment and tools and molds assessed as having no future benefit.

We believe a substantial investment in research and development is essential in the long term to remain competitive and expand into additional markets. Accordingly, we expect our research and development expenses to remain at a high level of total expenditures as we grow.

General and Administrative

The following table presents the general and administrative expenses for the three months and six months ended June 30, 2010 and 2009, respectively:

Three Months Ended June 30,			Six Months Ended June 30,		
2010	2009	% Change	2010	2009	% Change
\$ 1,160,049	\$ 1,374,216	(16)%	\$ 2,203,954	\$ 2,106,382	5%

General and administrative expenses consist primarily of personnel costs for finance, human resources, business development, and general management, as well as professional fees, such as expenses for legal and accounting services.

For the three months ended June 30, 2010, general and administrative expenses decreased \$214,167, or 16%, as compared to the three months ended June 30, 2009. The decrease resulted primarily from the absence of severance costs incurred in 2009 related to the departure of the Company's former Chief Technology Officer and Chief Financial Officer in 2009. This decrease was offset by increases in salaries and wages, non-cash stock compensation expense, consulting fees and travel and subsistence costs. These increases are due to higher personnel costs, mainly for senior management and consultants, including investor relations.

For the six months ended June 30, 2010, general and administrative expenses increased \$97,572, or 5%, as compared to the six months ended June 30, 2009. The increase resulted primarily from increases in salaries and wages, non-cash stock compensation expense, consulting fees and travel and subsistence costs. These increases are due to higher personnel costs, mainly for senior management and consultants, including investor relations. The increases were offset by the absence of severance costs incurred in 2009 related to the departure of the Company's former Chief Technology Officer and Chief Financial Officer in 2009.

We expect our general and administrative expenses to increase as the Company expands its staff, develops its infrastructure and incurs additional costs to support the growth in its business.

Interest Income

The following table presents the interest income for the three months and six months ended June 30, 2010 and 2009, respectively:

Three Months Ended June 30,			Six Months Ended June 30,		
2010	2009	% Change	2010	2009	% Change
\$ 1,949	\$ 1,384	41%	\$ 7,107	\$ 4,456	59%

The interest income is solely earned on cash balances held in interest-bearing bank accounts.

For the three months ended June 30, 2010, interest income increased \$565, or 41%, as compared to the three months ended June 30, 2009. For the six months ended June 30, 2010, interest income increased \$2,651, or 59%, as compared to the six months ended June 30, 2009. The increase in both periods was mainly due to an increase in the average cash invested in interest-bearing accounts, and a marginally higher interest rate.

Interest Expense

The following table presents the interest expense for the three months and six months ended June 30, 2010 and 2009, respectively:

Three Months Ended June 30,			Six Months Ended June 30,		
2010	2009	% Change	2010	2009	% Change
\$ 1,067	\$ 1,928	(45)%	\$ 1,674	\$ 4,760	(65)%

The interest expense for both periods was mostly incurred due to our capital lease obligations.

For the three months ended June 30, 2010, interest expense decreased \$861, or 45%, as compared to the three months ended June 30, 2009. For the six months ended June 30, 2010, interest expense decreased \$3,086, or 65%, as compared to the six months ended June 30, 2009. The decrease in both periods was mostly due to a reduction in the balances outstanding on our capital leases.

Unrealized Gain on Fair Value of Warrants, Net

The following table represents our unrealized gain on fair value of warrants, net for the three months and six months ended June 30, 2010 and 2009, respectively:

Three Months Ended June 30,			Six Months Ended June 30,		
2010	2009	% Change	2010	2009	% Change
\$ 3,567,168	\$ 34,325	10,292%	\$ 1,680,476	\$ 48,068	3,396%

FASB ASC 815-40 "Derivatives and Hedging – Contracts in Entity's own Equity" became effective January 1, 2009, and required that derivative revaluations be recognized whenever the Company incurs a liability associated with the issuance of an equity-based instrument. The instrument is revalued for each reporting period until the liability is settled.

Net gains from warrant derivative revaluations for the three months ended June 30, 2010, were \$3,567,168, compared to \$34,325 for the three months ended June 30, 2009. Net gains from warrant derivative revaluations for the six months ended June 30, 2010, were \$1,680,476, compared to \$48,068 for the six months ended June 30, 2009. These gains are attributed to revaluations of warrants and result primarily from a decrease in the Company's stock price in the period. There were only 634,220 warrants accounted for as derivative instruments as at June 30, 2009. By June 30, 2010, the number had risen to 3,513,349. With this number of warrants, at our June 30, 2010, closing share price of \$1.37, an increase in our share price of \$0.10 would generate an unrealized loss in excess of \$100,000; conversely, a decrease in our share price of \$0.10 would generate an unrealized gain in excess of \$100,000. Should our share price increase by \$1.00, the sensitivity to changes in share price would also increase, and a change in our share price of \$0.10 would generate a change in unrealized gain or loss in excess of \$250,000.

Miscellaneous Expense

The following table presents the miscellaneous expense for the three months and six months ended June 30, 2010 and 2009, respectively:

Three Months Ended June 30,			Six Months Ended June 30,		
2010	2009	% Change	2010	2009	% Change
\$ 7,919	\$ 46,171	(83)%	\$ 72,994	\$ 22,315	227%

For the three months ended June 30, 2010, miscellaneous expense decreased \$38,252, or 83%, as compared to the three months ended June 30, 2009. For the six months ended June 30, 2010, miscellaneous expense increased \$50,679, or 227%, as compared to the six months ended June 30, 2009. Miscellaneous expense is the result of net foreign currency exchange losses in our Malaysian subsidiary, WGBM, mainly due to revaluation of the inter-company account at the balance sheet date.

Headcount

Our consolidated headcount as of August 12, 2010, comprised 51 regular employees, 49 of whom were employed full-time, compared to 35 regular employees as of December 31, 2009, all of whom were employed full-time.

Liquidity and Capital Resources

From inception through June 30, 2010, the Company raised a total of \$3,665,991 from the issuance of notes payable, \$66,037 from the sale of Series A Preferred Stock, \$1,559,942 from the sale of Series B Preferred Stock, \$24,384,373, net of offering costs, from the sale of common stock and warrants, and \$3,789,953, net of offering costs, from the sale of redeemable convertible preferred stock in its Malaysian subsidiary. As of June 30, 2010, the Company had \$1,516,528 in cash and cash equivalents, and working capital of \$474,838. The Company subsequently raised approximately \$6.8 million, net of offering costs, from the sale of common stock and warrants in July 2010.

Net Cash Used in Operating Activities

The Company experienced negative cash flow from operating activities for the six months ended June 30, 2010 and 2009, in the amounts of \$5,372,001 and \$3,267,513, respectively. The cash used in operating activities in the six months ended June 30, 2010, was due to cash used to fund a net operating loss of \$3,804,769, adjusted for non-cash expenses related to depreciation and amortization, stock-based compensation, unrealized gain on fair value of warrants and exchange loss of \$900,926, and cash used by a change in working capital of \$666,306. The cash used in operating activities in the six months ended June 30, 2009, was due to cash used to fund a net operating loss of \$4,600,716, adjusted for non-cash expenses related to depreciation and amortization, stock-based compensation, unrealized gain on fair value of warrants, exchange loss, inventory provision and capital equipment expensed of \$751,457, and cash provided from a change in working capital of \$581,746. The increase in cash used in the six months ended June 30, 2010, compared to 2009 was driven primarily by the increase in the net operating loss from \$4,626,165 to \$5,417,684 and an increase in current assets (excluding cash) from \$437,537 to \$1,197,235.

Net Cash Used in Investing Activities

The Company used \$524,158 in the six months ended June 30, 2010, and \$139,434 in the six months ended June 30, 2009, to acquire property and equipment. Equipment which cost \$123,998, that was capitalized, but not depreciated, at March 31, 2009, was re-assessed and expensed as research and development in the three months ended June 30, 2009.

Net Cash Provided by Financing Activities

Cash provided by financing activities in the six months ended June 30, 2010, was \$1,363,153. In January 2010, the Company received net cash of \$47,901 (after offering expenses of \$65,874 and a selling agent commission of \$9,225) from the final tranche of the sale in a private placement offering of 82,000 shares of common stock and warrants to purchase 20,500 shares of common stock with an exercise price of \$2.50 per share. In March 2010, the Company's Malaysian subsidiary received \$238,066, net of issuance costs and a currency exchange loss, in exchange for the issuance of 111,111 Series B RCPS, and in May 2010, the Company's Malaysian subsidiary received \$495,000, net of issuance costs, in exchange for the issuance of 222,222 Series B RCPS. The Company also received \$33,976 from the exercise of stock options in March and May 2010 and \$562,500 from the exercise of warrants in April 2010. This was offset by repayments of \$14,290 on capital lease obligations.

Cash provided by financing activities in the six months ended June 30, 2009, was \$4,053,323. In June 2009, the Company received net cash of \$3,764,169 (after offering expenses of \$206,825 and a selling agent commission of \$160,256) from the sale in a private placement offering of 3,305,000 shares of common stock and warrants to purchase 991,500 shares of common stock with an exercise price of \$2.00 per share. In June 2009, the Company also received \$100,168 when 71,041 warrants were exercised at a price of \$1.41. In addition, in June 2009, the Company's Malaysian subsidiary received \$212,578, net of issuance costs and a currency exchange loss, in exchange for the issuance of 111,111 Series B RCPS, for combined net cash proceeds of \$4,076,915. This was offset by repayments on capital leases for equipment of \$23,592.

Availability of Additional Funds

We believe funds available at June 30, 2010, along with our revenue and cash received from the sale of our common stock in July 2010 will fund our operations through February 2011. We expect we will need to raise further capital, through the sale of additional securities or otherwise, to support the Company's future operations. Our operating needs include the planned costs to operate our business, including amounts required to fund working capital and capital expenditures. At the present time, we have commitments for capital expenditures totaling approximately \$500,000, all for equipment to be used for manufacturing SmartChip products. Our future capital requirements and the adequacy of our available funds will depend on many factors, including our ability to successfully commercialize our SmartChip products and services, competing technological and market developments, and the need to enter into collaborations with other companies or acquire other companies or technologies to enhance or complement our product and service offerings.

While we believe we have sufficient cash to fund our operating, investing, and financing activities in the near term, we expect that additional working capital will be needed to fund the commercialization and manufacture of our SmartChip products and services which are currently foreseen by management. We may be unable to raise sufficient additional capital when we need it or to raise capital on favorable terms. The conversion of RCPS in our subsidiary, and the sale of equity or convertible debt securities in the future, may be dilutive to our stockholders, and debt financing arrangements may require us to pledge certain assets and enter into covenants that could restrict certain business activities or our ability to incur further indebtedness, and may contain other terms that are not favorable to us or our stockholders. If we are unable to obtain adequate funds on reasonable terms, we may be required to curtail operations significantly or to obtain funds by entering into financing agreements on unattractive terms.

Principles of Consolidation

The consolidated financial statements of WaferGen Bio-systems, Inc. include the accounts of Wafergen, Inc. and WaferGen Biosystems (M) Sdn Bhd., a Malaysian subsidiary. All significant inter-company transactions and balances are eliminated in consolidation.

Critical Accounting Policies and Estimates

Deferred Tax Valuation Allowance

We believe sufficient uncertainties exist regarding the future realization of deferred tax assets, and, accordingly, a full valuation allowance is required, amounting to approximately \$11,769,000 at December 31, 2009. In subsequent periods, if and when we generate pre-tax income, a tax expense will not be recorded to the extent that the remaining valuation allowance can be used to offset that expense. Once a consistent pattern of pre-tax income is established or other events occur that indicate that the deferred tax assets will be realized, additional portions or all of the remaining valuation allowance will be reversed back to income. Should we generate pre-tax losses in subsequent periods, a tax benefit will not be recorded and the valuation allowance will be increased.

Inventory Valuation

Inventories are stated at the lower of cost and market value. We perform a detailed assessment of inventory at each balance sheet date, which includes, among other factors, a review of demand requirements and product lifecycle. Inventory valuation provisions are assessed on the amount of inventory, on a line by line basis, for which quantities on hand exceed one year's projected demand. As a result of this assessment, we write down inventory for estimated obsolescence or unmarketable inventory equal to the difference between the cost of the inventory and the estimated liquidation value based upon assumptions about future demand and market conditions. If actual demand and market conditions are less favorable than those projected by management, additional inventory write-downs may be required.

Warranty Reserve

Our standard warranty agreement is one year from shipment for SmartChip cyclers and nano-dispensers. We accrue for anticipated warranty costs upon shipment of these products. Our warranty reserve is based on management's judgment regarding anticipated rates of warranty claims and associated repair costs, and we update our assessment quarterly.

Stock-Based Compensation

We measure the fair value of all stock option and restricted stock awards to employees on the grant date, and record the fair value of these awards, net of estimated forfeitures, as compensation expense over the service period. The fair value of options is estimated using the Black-Scholes valuation model, and of restricted stock is based on the Company's closing share price on the measurement date. Amounts expensed were \$597,823 and \$247,050, net of estimated annual forfeitures of 6% and 5%, respectively, for the six months ended June 30, 2010 and 2009, respectively. The sum expensed in the six months ended June 30, 2010, includes \$350,690 for restricted stock awards to consultants, for which the fair value is measured on the dates on which performance of services is completed.

The weighted-average grant date fair value of options awarded in the six months ended June 30, 2010 and 2009, was \$0.72 and \$0.52, respectively. These fair values were estimated using the following assumptions:

	Six Months Ended June 30,	
	2010	2009
Risk-free interest rate	2.01% - 2.40%	1.31% - 2.72%
Expected term	4.75 Years	4.75 Years
Expected volatility	42.40% - 42.70%	40.04% - 41.49%
Dividend yield	0%	0%

Risk-Free Interest Rate. This is the United States Treasury rate for the day of the grant having a term equal to the expected term of the option. An increase in the risk-free interest rate will increase the fair value and the related compensation expense.

Expected Term. This is the period of time over which the award is expected to remain outstanding and is based on management's estimate, taking into consideration the vesting terms, the contractual life, and historical experience. An increase in the expected term will increase the fair value and the related compensation expense.

Expected Volatility. This is a measure of the amount by which the stock price has fluctuated or is expected to fluctuate. Since the Company's stock has not been traded for as long as the expected term of the options, the Company uses a weighted-average of the historic volatility of four comparable companies over the retrospective period corresponding to the expected life of the Company's own options on the grant date. Extra weighting is attached to those companies most similar in terms of size and business activity. An increase in the expected volatility will increase the fair value and the related compensation expense.

Dividend Yield. The Company has not made any dividend payments nor does it have plans to pay dividends in the foreseeable future. An increase in the dividend yield will decrease the fair value and the related compensation expense.

Forfeiture Rate. This is a measure of the amount of awards that are expected to not vest. An increase in the estimated forfeiture rate will decrease the related compensation expense.

Warrant Derivative Liabilities

We evaluate our warrants to determine whether they are indexed to our common stock, and if it is determined that they are not, they are treated as derivatives. We have determined that all of the warrants that we have issued which contain an anti-dilution provision are not indexed to our stock. We measure the fair value of these warrants at the dates of issuance, and at each period end, to determine the associated derivative liability.

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At these measurement dates, we estimate the fair values of these securities using a Monte Carlo Simulation approach, using critical assumptions provided by management reflecting conditions at the valuation date. The fair value of warrants ranged from \$0.24 to \$0.36 at June 30, 2010, and from \$0.52 to \$0.97 at December 31, 2009.

Fair values at measurement dates during the six months ended June 30, 2010 and 2009, were estimated using the following assumptions:

	Six Months Ended June 30,	
	2010	2009
Risk-free interest rate	0.75% - 2.16%	1.16% - 2.20%
Expected remaining term	2.31 - 4.00 Years	3.11 - 4.00 Years
Expected volatility	43.83% - 50.79%	43.26% - 49.78%
Dividend yield	0%	0%
Private Placement discount to stock price	10% - 15%	15%

Risk-Free Interest Rate. This is the United States Treasury rate for the measurement date having a term equal to the expected remaining term of the warrant. An increase in the risk-free interest rate will increase the fair value and the associated derivative liability.

Expected Remaining Term. This is the period of time over which the warrant is expected to remain outstanding and is based on management's estimate, taking into consideration the remaining contractual life, and historical experience. An increase in the expected remaining term will increase the fair value and the associated derivative liability.

Expected Volatility. This is a measure of the amount by which the stock price has fluctuated or is expected to fluctuate. Since the Company's stock has not been traded for as long as the expected remaining term of the warrants, the Company uses a weighted-average of the historic volatility of four comparable companies over the retrospective period corresponding to the expected remaining term of the warrants on the measurement date. Extra weighting is attached to those companies most similar in terms of size and business activity. An increase in the expected volatility will increase the fair value and the associated derivative liability.

Dividend Yield. The Company has not made any dividend payments nor does it have plans to pay dividends in the foreseeable future. An increase in the dividend yield will decrease the fair value and the associated derivative liability.

Private Placement Discount to Stock Price. This is the percentage amount by which future stock offerings are expected to be priced at a discount from the trading price of our common stock at the offering closing dates, and is based on management's estimate, taking into consideration future expectations and historical experience. An increase in the expected discount to stock price will increase the fair value and the associated derivative liability.

Recent Accounting Pronouncements

See the "Recent Accounting Pronouncements" in Note 2 to the Condensed Consolidated Financial Statements in Part I, Item 1 for information related to the adoption of new accounting standards in the first quarter of 2010, none of which had a material impact on our condensed consolidated financial statements, and the future adoption of recently issued accounting pronouncements, which we do not expect will have a material impact on our condensed consolidated financial statements.

Item 4. Controls and Procedures

Management's Report on Internal Control over Financial Reporting

As of the end of the period covered by this Quarterly Report, management performed, with the participation of our principal executive officer and principal financial officer, an evaluation of the effectiveness of our disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act. Our disclosure controls and procedures are designed to ensure that information required to be disclosed in the report we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC's forms, and that such information is accumulated and communicated to our management including our principal executive officer and principal financial officer, to allow timely decisions regarding required disclosures. Based on the evaluation and the identification of the material weaknesses in internal control over financial reporting described in Item 9A(T) in our Amended Report on Form 10K/A for the year ended December 31, 2009, which continued to exist at June 30, 2010, our principal executive officer and principal financial officer concluded that, as of June 30, 2010, the Company's disclosure controls and procedures were not effective.

Changes in Internal Control over Financial Reporting

There was no material change in the Company's internal control over financial reporting that occurred during the quarter ended June 30, 2010, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting, except for designing and implementing new controls to help ensure that we adopt new accounting policies with respect to non-routine matters on a timely manner. We have provided further technical training to our accounting personnel relating to the timely adoption of new accounting pronouncements in the future and intend to provide additional such training in the future. With respect to the adoption of ASC 815-40 in particular, we have provided additional technical training to our accounting personnel on the appropriate accounting requirements for convertible securities and the valuation models and processes required with respect to the accounting of convertible securities, and we have engaged outside experts to assist the Company with the periodic valuations of any such convertible securities. This was done to address a material weakness identified by management in the second quarter of 2010 that led us to restate our 2009 results, and file a Form 10-K/A with the Securities and Exchange Commission on May 12, 2010, to amend our Form 10-K for the year ended December 31, 2009.

Other than this change, no other material changes in the Company's internal control over financial reporting occurred during the quarter ended June 30, 2010.

PART II OTHER INFORMATION

Item 1. Legal Proceedings

From time to time we may be involved in claims arising in connection with our business. Although there can be no assurance as to the ultimate outcome, we generally have denied, or believe we have a meritorious defense and will deny, liability in all cases pending against the Company, including the matters described below, and we intend to defend vigorously each such case. Based on information currently available, we believe that the amount, or range, of reasonably possible losses in connection with the actions against us, including the matters described below, in excess of established reserves, in the aggregate, not to be material to our consolidated financial condition or cash flows. However, losses may be material to the Company's operating results for any particular future period, depending on the level of income for such period.

Vida Communication v. WaferGen. In July 2009, an action entitled Vida Communication, Inc. ("Vida") v. WaferGen Bio-systems, Inc. was filed in the San Francisco Superior Court. Vida, a company that had been providing investor relations services, is suing the Company for a total of \$165,000. The case is in the discovery stage. The Company believes the claims are without merit, and intends to vigorously defend itself against such action.

In addition, we anticipate that we will expend significant financial and managerial resources to defend our intellectual property rights in the future if we believe that our rights have been infringed. We also anticipate that we will expend significant financial and managerial resources to defend against claims that our products and services infringe upon the intellectual property rights of third parties.

Item 1A. Risk Factors

There are no material changes from the risk factors set forth in Part I, Item 1A, in our Annual Report on Form 10-K for the year ended December 31, 2009, except that we reported that we had not completed the development of a SmartChip product that could be commercially sold, and that SmartSlide™ was the only commercialized line of products we had developed. On August 5, 2010, we announced the commercial launch of our SmartChip products.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

On December 23, 2009, the Company completed the first closing under a private placement offering (the "December 2009 Offering") with certain accredited investors, pursuant to which the Company sold an aggregate of 2,878,333 units at a price of \$1.50 per unit, with each unit consisting of one share of the Company's common stock and a warrant to purchase 25% of one share of the Company's common stock at an exercise price of \$2.50 per whole share. On December 30, 2009, the Company sold an additional 430,002 units in a second closing. On January 6, 2010, the Company sold a further 82,000 units in a third closing. Each unit in the second and third closing was sold at the same price, and with the same terms and conditions, as those sold in the first closing.

In total, the Company sold an aggregate of 3,390,335 shares of common stock and warrants to purchase 847,585 shares of common stock for \$2.50 in the December 2009 Offering, and received aggregate gross proceeds of \$5,085,500. Of these totals, the Company sold 82,000 shares of common stock and 20,500 warrants for gross proceeds of \$123,000 in the six months ended June 30, 2010.

The warrants issued in the December 2009 Offering have a term of five years and are subject to weighted average anti-dilution protection in the event the Company subsequently issues its shares of common stock, or securities convertible into shares of common stock, for a price per share less than the exercise price of the warrants. The warrants are immediately exercisable. In connection with the closing of the private placement, the Company entered into registration rights agreements with the investors purchasing units in the offering. The Company retained a selling agent in connection with this private placement offering, and pursuant to the terms of a selling agency agreement, the Company issued the selling agent warrants to purchase 100,742, 15,050 and 2,870 shares of common stock at an exercise price of \$2.50 per whole share on the first, second and third closing, respectively. The warrants issued to the selling agent have the same terms as the warrants issued to the investors in the December 2009 Offering.

Item 3. Defaults Upon Senior Securities

None.

Item 4. [Removed and Reserved]**Item 5. Other Information****Nomination of Directors**

There have been no material changes to the procedures by which security holders may recommend nominees to our Board of Directors implemented since the filing of Amendment No. 1 to our Annual Report on Form 10-K for the fiscal year ended December 31, 2009.

Item 6. Exhibits

Exhibit No.	Description
10.1 ⁽¹⁾	Securities Purchase Agreement, dated July 1, 2010, between WaferGen Bio-systems, Inc. and each investor party thereto in connection with the Company's July 2010 offering of units of securities
10.2 ⁽²⁾	Form of Warrants to purchase shares of Common Stock of the Company, issued July 7, 2010, to investors in the Company's July 2010 offering of units of securities
10.3*	Form of Warrant to purchase shares of Common Stock of the Company, issued July 7, 2010, to placement agents and certain related parties in connection with the Company's July 2010 offering of units of securities
31.1*	Rule 13a-14(a)/15d-15(e) Certification of principal executive officer
31.2*	Rule 13a-14(a)/15d-15(e) Certification of principal financial officer
32.1*	Section 1350 Certification of principal executive officer (<i>This certification is being furnished and shall not be deemed "filed" with the SEC for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section, and shall not be deemed to be incorporated by reference into any filing under the Securities Act or the Exchange Act, except to the extent that the Registrant specifically incorporates it by reference.</i>)
32.2*	Section 1350 Certification of principal financial officer (<i>This certification is being furnished and shall not be deemed "filed" with the SEC for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section, and shall not be deemed to be incorporated by reference into any filing under the Securities Act or the Exchange Act, except to the extent that the Registrant specifically incorporates it by reference.</i>)

* Filed/furnished herewith

- (1) Incorporated by reference Exhibit 10.1 to Form 8-K filed with the Securities and Exchange Commission on July 8, 2010
(2) Incorporated by reference Exhibit 4.1 to Form 8-K filed with the Securities and Exchange Commission on July 8, 2010

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

WAFERGEN BIO-SYSTEMS, INC.

Dated: August 16, 2010

By: /s/ Alnoor Shivji
Alnoor Shivji
Chief Executive Officer
(principal executive officer)

EXHIBIT INDEX

Exhibit No.	Description
10.3	Form of Warrant to purchase shares of Common Stock of the Company, issued July 7, 2010, to placement agents and certain related parties in connection with the Company's July 2010 offering of units of securities
31.1	Rule 13a-14(a)/15d-15(e) Certification of principal executive officer
31.2	Rule 13a-14(a)/15d-15(e) Certification of principal financial officer
32.1	Section 1350 Certification of principal executive officer
32.2	Section 1350 Certification of principal financial officer

NEITHER THIS SECURITY NOR THE SECURITIES FOR WHICH THIS SECURITY IS EXERCISABLE HAVE BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES COMMISSION OF ANY STATE IN RELIANCE UPON AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR PURSUANT TO AN AVAILABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS AS EVIDENCED BY A LEGAL OPINION OF COUNSEL TO THE TRANSFEROR TO SUCH EFFECT, THE SUBSTANCE OF WHICH SHALL BE REASONABLY ACCEPTABLE TO THE COMPANY. THIS SECURITY AND THE SECURITIES ISSUABLE UPON EXERCISE OF THIS SECURITY MAY BE PLEDGED IN CONNECTION WITH A BONA FIDE MARGIN ACCOUNT OR OTHER LOAN SECURED BY SUCH SECURITIES.

**FORM OF
COMMON STOCK PURCHASE WARRANT
WAFERGEN BIO-SYSTEMS, INC.**

Warrant Shares: [_____]

Initial Exercise Date: July 7, 2010

THIS COMMON STOCK PURCHASE WARRANT (the "Warrant") certifies that, for value received, [_____] or its assigns (the "Holder") is entitled, upon the terms and subject to the limitations on exercise and the conditions hereinafter set forth, at any time on or after the date hereof (the "Initial Exercise Date") and on or prior to the close of business on June 8, 2015 (the "Termination Date") but not thereafter, to subscribe for and purchase from WaferGen Bio-systems, Inc., a Nevada corporation (the "Company"), up to [_____] shares (as subject to adjustment hereunder, the "Warrant Shares") of Common Stock. This Warrant is issued by the Company as of the date hereof pursuant to (i) Section 1 of the Engagement Agreement, dated June 22, 2010, by and among the Company, Rodman & Renshaw, LLC and Gilford Securities Incorporated and (ii) Section 4(2) of the Securities Act and Rule 506 promulgated thereunder.

Section 1. Definitions. Capitalized terms used and not otherwise defined herein shall have the meanings set forth in that certain Securities Purchase Agreement (the "Purchase Agreement"), dated July 1, 2010, among the Company and the purchasers signatory thereto.

Section 2. Exercise.

a) Exercise of the purchase rights represented by this Warrant may be made, in whole or in part, at any time or times on or after the Initial Exercise Date and on or before the Termination Date by delivery to the Company (or such other office or agency of the Company as it may designate by notice in writing to the registered Holder at the address of the Holder appearing on the books of the Company) of a duly executed facsimile copy of the Notice of Exercise Form annexed hereto. Within three (3) Trading Days following the date of exercise as aforesaid, the Holder shall deliver the aggregate Exercise Price for the shares specified in the applicable Notice of Exercise by wire transfer or cashier's check drawn on a United States bank unless the cashless exercise procedure specified in Section 2(c) below is specified in the applicable Notice of Exercise. Notwithstanding anything herein to the contrary, the Holder shall not be required to physically surrender this Warrant to the Company until the Holder has purchased all of the Warrant Shares available hereunder and the Warrant has been exercised in full, in which case, the Holder shall surrender this Warrant to the Company for cancellation within three (3) Trading Days of the date the final Notice of Exercise is delivered to the Company. Partial exercises of this Warrant resulting in purchases of a portion of the total number of Warrant Shares available hereunder shall have the effect of lowering the outstanding number of Warrant Shares purchasable hereunder in an amount equal to the applicable number of Warrant Shares purchased. The Holder and the Company shall maintain records showing the number of Warrant Shares purchased and the date of such purchases. The Company shall deliver any objection to any Notice of Exercise Form within one (1) Business Day of receipt of such notice. **The Holder and any assignee, by acceptance of this Warrant, acknowledge and agree that, by reason of the provisions of this paragraph, following the purchase of a portion of the Warrant Shares hereunder, the number of Warrant Shares available for purchase hereunder at any given time may be less than the amount stated on the face hereof.**

b) Exercise Price. The exercise price per share of the Common Stock under this Warrant shall be **\$1.50**, subject to adjustment hereunder (the "Exercise Price").

c) Cashless Exercise. If at the time of exercise hereof there is no effective registration statement registering, or the prospectus contained therein is not available for the issuance of the Warrant Shares to the Holder and all of the Warrant Shares are not then registered for resale by Holder into the market at market prices from time to time on an effective registration statement for use on a continuous basis (or the prospectus contained therein is not available for use), then] this Warrant may also be exercised, in whole or in part, at such time by means of a "cashless exercise" in which the Holder shall be entitled to receive a certificate for the number of Warrant Shares equal to the quotient obtained by dividing [(A-B) (X)] by (A), where:

(A) = the VWAP on the Trading Day immediately preceding the date on which Holder elects to exercise this Warrant by means of a "cashless exercise," as set forth in the applicable Notice of Exercise;

(B) = the Exercise Price of this Warrant, as adjusted hereunder; and

(X) = the number of Warrant Shares that would be issuable upon exercise of this Warrant in accordance with the terms of this Warrant if such exercise were by means of a cash exercise rather than a cashless exercise.

“VWAP” means, for any date, the price determined by the first of the following clauses that applies: (a) if the Common Stock is then listed or quoted on a Trading Market, the daily volume weighted average price of the Common Stock for such date (or the nearest preceding date) on the Trading Market on which the Common Stock is then listed or quoted as reported by Bloomberg L.P. (based on a Trading Day from 9:30 a.m. (New York City time) to 4:02 p.m. (New York City time)), (b) if the OTC Bulletin Board is not a Trading Market, the volume weighted average price of the Common Stock for such date (or the nearest preceding date) on the OTC Bulletin Board, (c) if the Common Stock is not then listed or quoted for trading on the OTC Bulletin Board and if prices for the Common Stock are then reported in the “Pink Sheets” published by Pink OTC Markets, Inc. (or a similar organization or agency succeeding to its functions of reporting prices), the most recent bid price per share of the Common Stock so reported, or (d) in all other cases, the fair market value of a share of Common Stock as determined by an independent appraiser selected in good faith by the Holders of a majority in interest of the Securities then outstanding and reasonably acceptable to the Company, the fees and expenses of which shall be paid by the Company.

d) Mechanics of Exercise.

i. Delivery of Certificates Upon Exercise. Certificates for shares purchased hereunder shall be transmitted by the Transfer Agent to the Holder by crediting the account of the Holder's prime broker with The Depository Trust Company through its Deposit or Withdrawal at Custodian system (“DWAC”) if the Company is then a participant in such system and either (A) there is an effective registration statement permitting the issuance of the Warrant Shares to or resale of the Warrant Shares by Holder or (B) this Warrant is being exercised via cashless exercise, and otherwise by physical delivery to the address specified by the Holder in the Notice of Exercise by the date that is three (3) Trading Days after the latest of (A) the delivery to the Company of the Notice of Exercise, (B) surrender of this Warrant (if required) and (C) payment of the aggregate Exercise Price as set forth above (including by cashless exercise, if permitted) (such date, the “Warrant Share Delivery Date”). The Warrant Shares shall be deemed to have been issued, and Holder or any other person so designated to be named therein shall be deemed to have become a holder of record of such shares for all purposes, as of the date the Warrant has been exercised, with payment to the Company of the Exercise Price (or by cashless exercise, if permitted) and all taxes required to be paid by the Holder, if any, pursuant to Section 2(d)(vi) prior to the issuance of such shares, having been paid.

ii. Delivery of New Warrants Upon Exercise. If this Warrant shall have been exercised in part, the Company shall, at the request of a Holder and upon surrender of this Warrant certificate, at the time of delivery of the certificate or certificates representing Warrant Shares, deliver to the Holder a new Warrant evidencing the rights of the Holder to purchase the unpurchased Warrant Shares called for by this Warrant, which new Warrant shall in all other respects be identical with this Warrant.

iii. Rescission Rights. If the Company fails to cause the Transfer Agent to transmit to the Holder a certificate or the certificates representing the Warrant Shares pursuant to Section 2(d)(i) by the Warrant Share Delivery Date, then the Holder will have the right to rescind such exercise.

iv. Compensation for Buy-In on Failure to Timely Deliver Certificates Upon Exercise. In addition to any other rights available to the Holder, if the Company fails to cause the Transfer Agent to transmit to the Holder a certificate or the certificates representing the Warrant Shares pursuant to an exercise on or before the Warrant Share Delivery Date, and if after such date the Holder is required by its broker to purchase (in an open market transaction or otherwise) or the Holder's brokerage firm otherwise purchases, shares of Common Stock to deliver in satisfaction of a sale by the Holder of the Warrant Shares which the Holder anticipated receiving upon such exercise (a "Buy-In"), then the Company shall (A) pay in cash to the Holder the amount, if any, by which (x) the Holder's total purchase price (including brokerage commissions, if any) for the shares of Common Stock so purchased exceeds (y) the amount obtained by multiplying (1) the number of Warrant Shares that the Company was required to deliver to the Holder in connection with the exercise at issue times (2) the price at which the sell order giving rise to such purchase obligation was executed, and (B) at the option of the Holder, either reinstate the portion of the Warrant and equivalent number of Warrant Shares for which such exercise was not honored (in which case such exercise shall be deemed rescinded) or deliver to the Holder the number of shares of Common Stock that would have been issued had the Company timely complied with its exercise and delivery obligations hereunder. For example, if the Holder purchases Common Stock having a total purchase price of \$11,000 to cover a Buy-In with respect to an attempted exercise of shares of Common Stock with an aggregate sale price giving rise to such purchase obligation of \$10,000, under clause (A) of the immediately preceding sentence the Company shall be required to pay the Holder \$1,000. The Holder shall provide the Company written notice indicating the amounts payable to the Holder in respect of the Buy-In and, upon request of the Company, evidence of the amount of such loss. Nothing herein shall limit a Holder's right to pursue any other remedies available to it hereunder, at law or in equity including, without limitation, a decree

of specific performance and/or injunctive relief with respect to the Company's failure to timely deliver certificates representing shares of Common Stock upon exercise of the Warrant as required pursuant to the terms hereof.

v. No Fractional Shares or Scrip. No fractional shares or scrip representing fractional shares shall be issued upon the exercise of this Warrant. As to any fraction of a share which the Holder would otherwise be entitled to purchase upon such exercise, the Company shall, at its election, either pay a cash adjustment in respect of such final fraction in an amount equal to such fraction multiplied by the Exercise Price or round up to the next whole share.

vi. Charges, Taxes and Expenses. Issuance of certificates for Warrant Shares shall be made without charge to the Holder for any issue or transfer tax or other incidental expense in respect of the issuance of such certificate, all of which taxes and expenses shall be paid by the Company, and such certificates shall be issued in the name of the Holder or in such name or names as may be directed by the Holder; provided, however, that in the event certificates for Warrant Shares are to be issued in a name other than the name of the Holder, this Warrant when surrendered for exercise shall be accompanied by the Assignment Form attached hereto duly executed by the Holder and the Company may require, as a condition thereto, the payment of a sum sufficient to reimburse it for any transfer tax incidental thereto.

vii. Closing of Books. The Company will not close its stockholder books or records in any manner which prevents the timely exercise of this Warrant, pursuant to the terms hereof.

e) Holder's Exercise Limitations. The Company shall not effect any exercise of this Warrant, and a Holder shall not have the right to exercise any portion of this Warrant, pursuant to Section 2 or otherwise, to the extent that after giving effect to such issuance after exercise as set forth on the applicable Notice of Exercise, the Holder (together with the Holder's Affiliates, and any other Persons acting as a group together with the Holder or any of the Holder's Affiliates), would beneficially own in excess of the Beneficial Ownership Limitation (as defined below). For purposes of the foregoing sentence, the number of shares of Common Stock beneficially owned by the Holder and its Affiliates shall include the number of shares of Common Stock issuable upon exercise of this Warrant with respect to which such determination is being made, but shall exclude the number of shares of Common Stock which would be issuable upon (i) exercise of the remaining, nonexercised portion of this Warrant beneficially owned by the Holder or any of its Affiliates and (ii) exercise or conversion of the unexercised or nonconverted portion of any other securities of the Company (including, without limitation, any other Common Stock Equivalents) subject to a limitation on conversion or exercise analogous to the limitation contained herein beneficially owned by the Holder or any of its

Affiliates. Except as set forth in the preceding sentence, for purposes of this Section 2(e), beneficial ownership shall be calculated in accordance with Section 13(d) of the Exchange Act and the rules and regulations promulgated thereunder, it being acknowledged by the Holder that the Company is not representing to the Holder that such calculation is in compliance with Section 13(d) of the Exchange Act and the Holder is solely responsible for any schedules required to be filed in accordance therewith. To the extent that the limitation contained in this Section 2(e) applies, the determination of whether this Warrant is exercisable (in relation to other securities owned by the Holder together with any Affiliates) and of which portion of this Warrant is exercisable shall be in the sole discretion of the Holder, and the submission of a Notice of Exercise shall be deemed to be the Holder's determination of whether this Warrant is exercisable (in relation to other securities owned by the Holder together with any Affiliates) and of which portion of this Warrant is exercisable, in each case subject to the Beneficial Ownership Limitation, and the Company shall have no obligation to verify or confirm the accuracy of such determination. In addition, a determination as to any group status as contemplated above shall be determined in accordance with Section 13(d) of the Exchange Act and the rules and regulations promulgated thereunder. For purposes of this Section 2(e), in determining the number of outstanding shares of Common Stock, a Holder may rely on the number of outstanding shares of Common Stock as reflected in (A) the Company's most recent periodic or annual report filed with the Commission, as the case may be, (B) a more recent public announcement by the Company or (C) a more recent written notice by the Company or the Transfer Agent setting forth the number of shares of Common Stock outstanding. Upon the written or oral request of a Holder, the Company shall within two Trading Days confirm orally and in writing to the Holder the number of shares of Common Stock then outstanding. In any case, the number of outstanding shares of Common Stock shall be determined after giving effect to the conversion or exercise of securities of the Company, including this Warrant, by the Holder or its Affiliates since the date as of which such number of outstanding shares of Common Stock was reported. The "Beneficial Ownership Limitation" shall be 4.99% of the number of shares of the Common Stock outstanding immediately after giving effect to the issuance of shares of Common Stock issuable upon exercise of this Warrant. The Holder, upon not less than 61 days' prior notice to the Company, may increase or decrease the Beneficial Ownership Limitation provisions of this Section 2(e), provided that the Beneficial Ownership Limitation in no event exceeds 9.99% of the number of shares of the Common Stock outstanding immediately after giving effect to the issuance of shares of Common Stock upon exercise of this Warrant held by the Holder and the provisions of this Section 2(e) shall continue to apply. Any such increase or decrease will not be effective until the 61st day after such notice is delivered to the Company. The provisions of this paragraph shall be construed and implemented in a manner otherwise than in strict conformity with the terms of this Section 2(e) to correct this paragraph (or any portion hereof) which may be defective or inconsistent with the intended Beneficial Ownership Limitation herein contained or to make changes or supplements necessary or desirable to properly give effect to such limitation. The limitations contained in this paragraph shall apply to a successor holder of this Warrant.

Section 3. Certain Adjustments.

a) Stock Dividends and Splits. If the Company, at any time while this Warrant is outstanding: (i) pays a stock dividend or otherwise makes a distribution or distributions on shares of its Common Stock or any other equity or equity equivalent securities payable in shares of Common Stock (which, for avoidance of doubt, shall not include any shares of Common Stock issued by the Company upon exercise of this Warrant), (ii) subdivides outstanding shares of Common Stock into a larger number of shares, (iii) combines (including by way of reverse stock split) outstanding shares of Common Stock into a smaller number of shares, or (iv) issues by reclassification of shares of the Common Stock any shares of capital stock of the Company, then in each case the Exercise Price shall be multiplied by a fraction of which the numerator shall be the number of shares of Common Stock (excluding treasury shares, if any) outstanding immediately before such event and of which the denominator shall be the number of shares of Common Stock outstanding immediately after such event, and the number of shares issuable upon exercise of this Warrant shall be proportionately adjusted such that the aggregate Exercise Price of this Warrant shall remain unchanged. Any adjustment made pursuant to this Section 3(a) shall become effective immediately after the record date for the determination of stockholders entitled to receive such dividend or distribution and shall become effective immediately after the effective date in the case of a subdivision, combination or re-classification.

b) [RESERVED]

c) Rights Upon Distribution of Assets. If at any time or from time to time the holders of Common Stock of the Company (or any shares of stock or other securities at the time receivable upon the exercise of this Warrant) shall have received or become entitled to receive, without payment therefore:

i. Common Stock or any shares of stock or other securities which are at any time directly or indirectly convertible into or exchangeable for Common Stock, or any rights or options to subscribe for, purchase or otherwise acquire any of the foregoing by way of dividend or other distribution (other than a dividend or distribution covered in Section 3(a) above);

ii. any cash paid or payable otherwise than as a cash dividend; or

iii. Common Stock or additional stock or other securities or property (including cash) by way of spinoff, split-up, reclassification, combination of shares or similar corporate rearrangement (other than shares of Common Stock pursuant to Section 3(a) above);

then and in each such case, the Holder hereof will, upon the exercise of this Warrant, be entitled to receive, in addition to the number of shares of Common Stock receivable thereupon, and without payment of any additional consideration therefor, the

amount of stock and other securities and property (including cash in the cases referred to in clauses (ii) and (iii) above) which such Holder would hold on the date of such exercise had such Holder been the holder of record of such Common Stock as of the date on which holders of Common Stock received or became entitled to receive such shares or all other additional stock and other securities and property.

d) [RESERVED]

e) Fundamental Transaction. If, at any time while this Warrant is outstanding, (i) the Company, directly or indirectly, in one or more related transactions effects any merger or consolidation of the Company with or into another Person (but excluding a migratory merger effected solely for the purpose of changing the jurisdiction of incorporation of the Company), (ii) the Company, directly or indirectly, effects any sale, lease, license, assignment, transfer, conveyance or other disposition of all or substantially all of its assets in one or a series of related transactions, (iii) any, direct or indirect, purchase offer, tender offer or exchange offer (whether by the Company or another Person) is completed pursuant to which holders of Common Stock are permitted to sell, tender or exchange their shares for other securities, cash or property and has been accepted by the holders of 50% or more of the outstanding Common Stock, (iv) the Company, directly or indirectly, in one or more related transactions effects any reclassification, reorganization or recapitalization of the Common Stock or any compulsory share exchange pursuant to which the Common Stock is effectively converted into or exchanged for other securities, cash or property, (v) the Company, directly or indirectly, in one or more related transactions consummates a stock or share purchase agreement or other business combination (including, without limitation, a reorganization, recapitalization, spin-off or scheme of arrangement) with another Person or group of Persons whereby such other Person or group acquires more than 50% of the outstanding shares of Common Stock (not including any shares of Common Stock held by the other Person or other Persons making or party to, or associated or affiliated with the other Persons making or party to, such stock or share purchase agreement or other business combination) (each a "Fundamental Transaction"), then, upon any subsequent exercise of this Warrant, the Holder shall have the right to receive, for each Warrant Share that would have been issuable upon such exercise immediately prior to the occurrence of such Fundamental Transaction, at the option of the Holder (without regard to any limitation in Section 2(e) on the exercise of this Warrant), the number of shares of Common Stock of the successor or acquiring corporation or of the Company, if it is the surviving corporation, and any additional consideration (the "Alternate Consideration") receivable as a result of such Fundamental Transaction by a holder of the number of shares of Common Stock for which this Warrant is exercisable immediately prior to such Fundamental Transaction (without regard to any limitation in Section 2(e) on the exercise of this Warrant). For purposes of any such exercise, the determination of the Exercise Price shall be appropriately adjusted to apply to such Alternate Consideration based on the amount of Alternate Consideration issuable in respect of one share of Common Stock in such Fundamental Transaction, and the Company shall apportion the Exercise Price among the Alternate Consideration in a reasonable manner reflecting the relative value of any different components of the Alternate Consideration. If holders of Common Stock

are given any choice as to the securities, cash or property to be received in a Fundamental Transaction, then the Holder shall be given the same choice as to the Alternate Consideration it receives upon any exercise of this Warrant following such Fundamental Transaction. Notwithstanding anything to the contrary, in the event of a Fundamental Transaction that is (1) an all cash transaction, (2) a "Rule 13e-3 transaction" as defined in Rule 13e-3 under the Exchange Act, or (3) a Fundamental Transaction involving a person or entity not traded on a national securities exchange, including, but not limited to, the Nasdaq Global Select Market, the Nasdaq Global Market, or the Nasdaq Capital Market,] the Company or any Successor Entity (as defined below) shall, at the Holder's option, exercisable at any time concurrently with, or within 30 days after, the consummation of the Fundamental Transaction, purchase this Warrant from the Holder by paying to the Holder an amount of cash equal to the Black Scholes Value of the remaining unexercised portion of this Warrant on the date of the consummation of such Fundamental Transaction. "Black Scholes Value" means the value of this Warrant based on the Black and Scholes Option Pricing Model obtained from the "OV" function on Bloomberg, L.P. ("Bloomberg") determined as of the day of consummation of the applicable Fundamental Transaction for pricing purposes and reflecting (A) a risk-free interest rate corresponding to the U.S. Treasury rate for a period equal to the time between the date of the public announcement of the applicable Fundamental Transaction and the Termination Date, (B) an expected volatility equal to the greater of 100% and the 100 day volatility obtained from the HVT function on Bloomberg as of the Trading Day immediately following the public announcement of the applicable Fundamental Transaction, (C) the underlying price per share used in such calculation shall be the sum of the price per share being offered in cash, if any, plus the value of any non-cash consideration, if any, being offered in such Fundamental Transaction and (D) a remaining option time equal to the time between the date of the public announcement of the applicable Fundamental Transaction and the Termination Date. The Company shall cause any successor entity in a Fundamental Transaction in which the Company is not the survivor (the "Successor Entity") to assume in writing all of the obligations of the Company under this Warrant and the other Transaction Documents in accordance with the provisions of this Section 3(e) pursuant to written agreements in form and substance reasonably satisfactory to the Holder and approved by the Holder (without unreasonable delay) prior to such Fundamental Transaction and shall, at the option of the Holder, deliver to the Holder in exchange for this Warrant a security of the Successor Entity evidenced by a written instrument substantially similar in form and substance to this Warrant which is exercisable for a corresponding number of shares of capital stock of such Successor Entity (or its parent entity) equivalent to the shares of Common Stock acquirable and receivable upon exercise of this Warrant (without regard to any limitations on the exercise of this Warrant) prior to such Fundamental Transaction, and with an exercise price which applies the exercise price hereunder to such shares of capital stock (but taking into account the relative value of the shares of Common Stock pursuant to such Fundamental Transaction and the value of such shares of capital stock, such number of shares of capital stock and such exercise price being for the purpose of protecting the economic value of this Warrant immediately prior to the consummation of such Fundamental Transaction), and which is reasonably satisfactory in form and substance to the Holder. Upon the occurrence of any such Fundamental Transaction, the Successor

Entity shall succeed to, and be substituted for (so that from and after the date of such Fundamental Transaction, the provisions of this Warrant and the other Transaction Documents referring to the "Company" shall refer instead to the Successor Entity), and may exercise every right and power of the Company and shall assume all of the obligations of the Company under this Warrant and the other Transaction Documents with the same effect as if such Successor Entity had been named as the Company herein.

f) Calculations. All calculations under this Section 3 shall be made to the nearest cent or the nearest 1/100th of a share, as the case may be. For purposes of this Section 3, the number of shares of Common Stock deemed to be issued and outstanding as of a given date shall be the sum of the number of shares of Common Stock (excluding treasury shares, if any) issued and outstanding.

g) Notice to Holder.

i. Adjustment to Exercise Price. Whenever the Exercise Price is adjusted pursuant to any provision of this Section 3, the Company shall promptly mail to the Holder a notice setting forth the Exercise Price after such adjustment and any resulting adjustment to the number of Warrant Shares and setting forth a brief statement of the facts requiring such adjustment.

ii. Notice to Allow Exercise by Holder. If during the term in which Warrant may be Exercised by the Holder (A) the Company shall declare a dividend (or any other distribution in whatever form) on the Common Stock (but not including any stock repurchase program effected in compliance with Rule 10b-18 promulgated by the Commission or any repurchase of securities pursuant to any equity incentive plan approved by the Company's stockholders), (B) the Company shall declare a special nonrecurring cash dividend on or a redemption of the Common Stock, (C) the Company shall authorize the granting to all holders of the Common Stock rights or warrants to subscribe for or purchase any shares of capital stock of any class or of any rights, (D) the approval of any stockholders of the Company shall be required in connection with any reclassification of the Common Stock, any consolidation or merger to which the Company is a party, any sale or transfer of all or substantially all of the assets of the Company, or any compulsory share exchange whereby the Common Stock is converted into other securities, cash or property, or (E) the Company shall authorize the voluntary or involuntary dissolution, liquidation or winding up of the affairs of the Company, then, in each case, the Company shall cause to be mailed to the Holder at its last address as it shall appear upon the Warrant Register of the Company, at least 20 calendar days prior to the applicable record or effective date hereinafter specified, a notice stating (x) the date on which a record is to be taken for the purpose of such dividend, distribution, redemption, rights or warrants, or if a record is not

to be taken, the date as of which the holders of the Common Stock of record to be entitled to such dividend, distributions, redemption, rights or warrants are to be determined or (y) the date on which such reclassification, consolidation, merger, sale, transfer or share exchange is expected to become effective or close, and the date as of which it is expected that holders of the Common Stock of record shall be entitled to exchange their shares of the Common Stock for securities, cash or other property deliverable upon such reclassification, consolidation, merger, sale, transfer or share exchange; provided that the failure to mail such notice or any defect therein or in the mailing thereof shall not affect the validity of the corporate action required to be specified in such notice. To the extent that any notice provided hereunder constitutes, or contains, material, non-public information regarding the Company or any of the Subsidiaries, the Company shall simultaneously file such notice with the Commission pursuant to a Current Report on Form 8-K. The Holder shall remain entitled to exercise this Warrant during the period commencing on the date of such notice to the effective date of the event triggering such notice except as may otherwise be expressly set forth herein.

Section 4. Transfer of Warrant.

- a) Transferability. For a period of six months after the issue date of this Warrant (which shall not be earlier than the closing date of the offering pursuant to which this Warrant is being issued), neither this Warrant nor any Warrant Shares issued upon exercise of this Warrant shall be sold, transferred, assigned, pledged, or hypothecated, or be the subject of any hedging, short sale, derivative, put, or call transaction that would result in the effective economic disposition of the securities by any person for a period of 180 days immediately following the date of effectiveness or commencement of sales of the offering pursuant to which this Warrant is being issued, except the transfer of any security:
- i. by operation of law or by reason of reorganization of the Company;
 - ii. to any FINRA member firm participating in the offering and the officers or partners thereof, if all securities so transferred remain subject to the lock-up restriction in this Section 4(a) for the remainder of the time period;
 - iii. if the aggregate amount of securities of the Company held by the Holder or related person do not exceed 1% of the securities being offered;
 - iv. that is beneficially owned on a pro-rata basis by all equity owners of an investment fund, provided that no participating member manages or otherwise directs investments by the fund, and participating members in the aggregate do not own more than 10% of the equity in the fund; or

- v. the exercise or conversion of any security, if all securities received remain subject to the lock-up restriction in this Section 4(a) for the remainder of the time period.

Subject to the foregoing restriction, any applicable securities laws and the conditions set forth in Section 4(d), this Warrant and all rights hereunder (including, without limitation, any registration rights) are transferable, in whole or in part, upon surrender of this Warrant at the principal office of the Company or its designated agent, together with the Assignment Form duly executed by the Holder or its agent or attorney and funds sufficient to pay any transfer taxes payable upon the making of such transfer. Upon such surrender and, if required, such payment, the Company shall execute and deliver a new Warrant or Warrants in the name of the assignee or assignees, as applicable, and in the denomination or denominations specified in such instrument of assignment, and shall issue to the assignor a new Warrant evidencing the portion of this Warrant not so assigned, and this Warrant shall promptly be cancelled. The Warrant, if properly assigned in accordance herewith, may be exercised by a new holder for the purchase of Warrant Shares without having a new Warrant issued.

b) New Warrants. This Warrant may be divided or combined with other Warrants upon presentation hereof at the aforesaid office of the Company, together with a written notice specifying the names and denominations in which new Warrants are to be issued, signed by the Holder or its agent or attorney. Subject to compliance with Section 4(a), as to any transfer which may be involved in such division or combination, the Company shall execute and deliver a new Warrant or Warrants in exchange for the Warrant or Warrants to be divided or combined in accordance with such notice. All Warrants issued on transfers or exchanges shall be dated the initial issuance date of this Warrant and shall be identical with this Warrant except as to the number of Warrant Shares issuable pursuant thereto.

c) Warrant Register. The Company shall register this Warrant, upon records to be maintained by the Company for that purpose (the "Warrant Register"), in the name of the record Holder hereof from time to time. The Company may deem and treat the registered Holder of this Warrant as the absolute owner hereof for the purpose of any exercise hereof or any distribution to the Holder, and for all other purposes, absent actual notice to the contrary.

d) Transfer Restrictions. If, at the time of the surrender of this Warrant in connection with any transfer of this Warrant or the sale of Warrant Shares, the transfer of this Warrant or the Warrant Shares, as applicable, shall not be either (i) registered pursuant to an effective registration statement under the Securities Act and under applicable state securities or blue sky laws or (ii) eligible for resale without volume or manner-of-sale restrictions or current public information requirements pursuant to Rule 144, the Company may require, as a condition of allowing such transfer or sale, that the Holder provide to the Company an opinion of counsel selected by the Holder and reasonably acceptable to the Company, the form and substance of which opinion shall be

reasonably satisfactory to the Company, to the effect that such transfer or sale does not require registration of such transferred security under the Securities Act.

e) Representation by the Holder. The Holder, by the acceptance hereof, represents and warrants that it is acquiring this Warrant and, upon any exercise hereof, will acquire the Warrant Shares issuable upon such exercise, for its own account and not with a view to or for distributing or reselling such Warrant Shares or any part thereof in violation of the Securities Act or any applicable state securities law, except pursuant to sales registered or exempted under the Securities Act.

Section 5. Miscellaneous.

a) No Rights as Stockholder Until Exercise. Except as otherwise provided herein, this Warrant does not entitle the Holder to any voting rights, including, without limitation, any right to consent to any corporate action (whether any reorganization, issue of stock, reclassification of stock, consolidation, merger, conveyance or otherwise) nor any right to receive notice of meetings, nor does it entitle the Holder to any right to receive dividends or subscription rights, or any other rights as a stockholder of the Company prior to the exercise hereof as set forth in Section 2(d)(i).

b) Loss, Theft, Destruction or Mutilation of Warrant. The Company covenants that upon receipt by the Company of evidence reasonably satisfactory to it of the loss, theft, destruction or mutilation of this Warrant or any stock certificate relating to the Warrant Shares, and in case of loss, theft or destruction, of indemnity or security reasonably satisfactory to it (which, in the case of the Warrant, shall not include the posting of any bond), and upon surrender and cancellation of such Warrant or stock certificate, if mutilated, the Company will make and deliver a new Warrant or stock certificate of like tenor and dated as of such cancellation, in lieu of such Warrant or stock certificate.

c) Saturdays, Sundays, Holidays, etc. If the last or appointed day for the taking of any action or the expiration of any right required or granted herein shall not be a Business Day, then, such action may be taken or such right may be exercised on the next succeeding Business Day.

d) Authorized Shares.

The Company covenants that, during the period the Warrant is outstanding, it will reserve from its authorized and unissued Common Stock a sufficient number of shares to provide for the issuance of the Warrant Shares upon the exercise of any purchase rights under this Warrant. The Company further covenants that its issuance of this Warrant shall constitute full authority to its officers who are charged with the duty of executing stock certificates to execute and issue the necessary certificates for the Warrant Shares upon the exercise of the purchase rights under this Warrant. The Company will take all such reasonable action as may be necessary to assure that such Warrant Shares

may be issued as provided herein without violation of any applicable law or regulation, or of any requirements of the Trading Market upon which the Common Stock may be listed. The Company covenants that all Warrant Shares which may be issued upon the exercise of the purchase rights represented by this Warrant will, upon exercise of the purchase rights represented by this Warrant and payment for such Warrant Shares in accordance herewith, be duly authorized, validly issued, fully paid and nonassessable and free from all taxes, liens and charges created by the Company in respect of the issue thereof (other than taxes in respect of any transfer occurring contemporaneously with such issue).

Except and to the extent as waived or consented to by the Holder, the Company shall not by any action, including, without limitation, amending its certificate of incorporation or through any reorganization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms of this Warrant, but will at all times in good faith assist in the carrying out of all such terms and in the taking of all such actions as may be necessary or appropriate to protect the rights of Holder as set forth in this Warrant against impairment. Without limiting the generality of the foregoing, the Company will (i) not increase the par value of any Warrant Shares above the amount payable therefor upon such exercise immediately prior to such increase in par value, (ii) take all such action as may be necessary or appropriate in order that the Company may validly and legally issue fully paid and nonassessable Warrant Shares upon the exercise of this Warrant and (iii) use commercially reasonable efforts to obtain all such authorizations, exemptions or consents from any public regulatory body having jurisdiction thereof, as may be, necessary to enable the Company to perform its obligations under this Warrant.

Before taking any action which would result in an adjustment in the number of Warrant Shares for which this Warrant is exercisable or in the Exercise Price, the Company shall obtain all such authorizations or exemptions thereof, or consents thereto, as may be necessary from any public regulatory body or bodies having jurisdiction thereof.

e) Jurisdiction. All questions concerning the construction, validity, enforcement and interpretation of this Warrant shall be determined in accordance with the provisions of the Purchase Agreement.

f) Restrictions. The Holder acknowledges that the Warrant Shares acquired upon the exercise of this Warrant, if not registered, and the Holder does not utilize cashless exercise, will have restrictions upon resale imposed by state and federal securities laws.

g) Nonwaiver and Expenses. No course of dealing or any delay or failure to exercise any right hereunder on the part of Holder shall operate as a waiver of such right or otherwise prejudice the Holder's rights, powers or remedies. Without limiting any

other provision of this Warrant or the Purchase Agreement, if the Company willfully and knowingly fails to comply with any provision of this Warrant, which results in any material damages to the Holder, the Company shall pay to the Holder such amounts as shall be sufficient to cover any costs and expenses including, but not limited to, reasonable attorneys' fees, including those of appellate proceedings, incurred by the Holder in collecting any amounts due pursuant hereto or in otherwise enforcing any of its rights, powers or remedies hereunder.

h) Notices. Any notice, request or other document required or permitted to be given or delivered to the Holder by the Company shall be delivered in accordance with the notice provisions of the Purchase Agreement.

i) Limitation of Liability. No provision hereof, in the absence of any affirmative action by the Holder to exercise this Warrant to purchase Warrant Shares, and no enumeration herein of the rights or privileges of the Holder, shall give rise to any liability of the Holder for the purchase price of any Common Stock or as a stockholder of the Company, whether such liability is asserted by the Company or by creditors of the Company.

j) Remedies. The Holder, in addition to being entitled to exercise all rights granted by law, including recovery of damages, will be entitled to specific performance of its rights under this Warrant. The Company agrees that monetary damages would not be adequate compensation for any loss incurred by reason of a breach by it of the provisions of this Warrant and hereby agrees to waive and not to assert the defense in any action for specific performance that a remedy at law would be adequate.

k) Successors and Assigns. Subject to applicable securities laws, this Warrant and the rights and obligations evidenced hereby shall inure to the benefit of and be binding upon the successors and permitted assigns of the Company and the successors and permitted assigns of Holder. The provisions of this Warrant are intended to be for the benefit of any Holder from time to time of this Warrant and shall be enforceable by the Holder or holder of Warrant Shares.

l) Amendment. This Warrant may be modified or amended or the provisions hereof waived with the written consent of the Company and the Holder.

m) Severability. Wherever possible, each provision of this Warrant shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Warrant shall be prohibited by or invalid under applicable law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provisions or the remaining provisions of this Warrant.

n) Headings. The headings used in this Warrant are for the convenience of reference only and shall not, for any purpose, be deemed a part of this Warrant.

(Signature Page Follows)

IN WITNESS WHEREOF, the Company has caused this Warrant to be executed by its officer thereunto duly authorized as of the date first above indicated.

WAFERGEN BIO-SYSTEMS, INC.

By:

Name:

Title:

NOTICE OF EXERCISE

TO: WAFERGEN BIO-SYSTEMS, INC.

(1) The undersigned hereby elects to purchase _____ Warrant Shares of the Company pursuant to the terms of the attached Warrant (only if exercised in full), and tenders herewith payment of the exercise price in full, together with all applicable transfer taxes, if any.

(2) Payment shall take the form of (check applicable box):

 [] in lawful money of the United States; or

 [] [if permitted] the cancellation of such number of Warrant Shares as is necessary, in accordance with the formula set forth in subsection 2(c), to exercise this Warrant with respect to the maximum number of Warrant Shares purchasable pursuant to the cashless exercise procedure set forth in subsection 2(c).

(3) Please issue a certificate or certificates representing said Warrant Shares in the name of the undersigned or in such other name as is specified below:

The Warrant Shares shall be delivered to the following DWAC Account Number or by physical delivery of a certificate to:

[SIGNATURE OF HOLDER]

Name of Investing Entity: _____

Signature of Authorized Signatory of Investing Entity: _____

Name of Authorized Signatory: _____

Title of Authorized Signatory: _____

Date: _____

ASSIGNMENT FORM

(To assign the foregoing warrant, execute
this form and supply required information.
Do not use this form to exercise the warrant.)

FOR VALUE RECEIVED, [____] all of or [_____] shares of the foregoing Warrant and all rights evidenced thereby are hereby assigned to

_____ whose address is

_____.

Dated: _____, _____

Holder's
Signature: _____

Holder's
Address: _____

Signature Guaranteed: _____

NOTE: The signature to this Assignment Form must correspond with the name as it appears on the face of the Warrant, without alteration or enlargement or any change whatsoever, and must be guaranteed by a bank or trust company. Officers of corporations and those acting in a fiduciary or other representative capacity should file proper evidence of authority to assign the foregoing Warrant.

CERTIFICATION

I, Alnoor Shivji, certify that:

1. I have reviewed this quarterly report on Form 10-Q of WaferGen Bio-systems, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 16, 2010

/s/ Alnoor Shivji

Alnoor Shivji
Chief Executive Officer
(principal executive officer)

CERTIFICATION

I, Hector Brush, certify that:

1. I have reviewed this quarterly report on Form 10-Q of WaferGen Bio-systems, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 16, 2010

/s/ Hector Brush

Hector Brush
Treasurer
(principal financial officer)

CERTIFICATION
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ENACTED BY
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350), I, Alnoor Shivji, certify that:

1. The Quarterly Report of WaferGen Bio-systems, Inc. (the "Company") on Form 10-Q for the quarter ended June 30, 2010 (the "Report") as filed with the Securities and Exchange Commission as of the date hereof, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 16, 2010

/s/ Alnoor Shivji
Alnoor Shivji
Chief Executive Officer
(principal executive officer)

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to WaferGen Bio-systems, Inc., and will be retained by WaferGen Bio-systems, Inc., and furnished to the Securities and Exchange Commission or its staff upon request.

CERTIFICATION
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ENACTED BY
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350), I, Hector Brush, certify that:

1. The Quarterly Report of WaferGen Bio-systems, Inc. (the "Company") on Form 10-Q for the quarter ended June 30, 2010 (the "Report") as filed with the Securities and Exchange Commission as of the date hereof, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 16, 2010

/s/ Hector Brush

Hector Brush
Treasurer
(principal financial officer)

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to WaferGen Bio-systems, Inc., and will be retained by WaferGen Bio-systems, Inc., and furnished to the Securities and Exchange Commission or its staff upon request.