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 September 30, 2012

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: 000-53252

WaferGen Bio-systems, Inc.
(Exact Name of Registrant as Specified in its Charter)

Nevada	**90-0416683**
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)
7400 Paseo Padre Parkway, Fremont, **CA**	**94555**
(Address of principal executive offices)	(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 41,680,902 shares of common stock outstanding as of November 7, 2012.

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PART I FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited)

WAFERGEN BIO-SYSTEMS, INC. AND SUBSIDIARIES

Condensed Consolidated Balance Sheets

Assets	September 30, 2012 (Unaudited)	December 31, 2011
Current assets:		
Cash and cash equivalents	$ 7,614,885	$ 15,117,172
Accounts receivable	43,929	29,382
Inventories, net	572,654	745,008
Prepaid expenses and other current assets	264,721	186,138
Total current assets	8,496,189	16,077,700
Property and equipment, net	1,070,238	1,714,090
Other assets	789,060	852,093
Total assets	$ 10,355,487	$ 18,643,883
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 300,366	$ 772,411
Accrued payroll and related costs	252,313	646,715
Other accrued expenses	789,340	682,284
Total current liabilities	1,342,019	2,101,410
Long-term debt, net of current portion	2,722,369	1,405,967
Derivative liabilities	3,790,348	5,967,330
Total liabilities	7,854,736	9,474,707
Commitments and contingencies (Note 13)	—	—
Stockholders' equity:		
Series A, B and C convertible preference shares of subsidiary	6,117,134	6,117,134
Preferred Stock: $0.001 par value; 10,000,000 shares authorized; 2,937,500 shares issued and outstanding at September 30, 2012 and December 31, 2011	9,838,569	9,838,569
Common Stock: $0.001 par value; 300,000,000 shares authorized; 41,680,902 and 41,619,402 shares issued and outstanding at September 30, 2012 and December 31, 2011	41,681	41,619
Additional paid-in capital	49,789,937	49,504,516
Accumulated deficit	(63,537,140)	(56,395,235)
Accumulated other comprehensive income	250,570	62,573
Total stockholders' equity	2,500,751	9,169,176
Total liabilities and stockholders' equity	$ 10,355,487	$ 18,643,883

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

WAFERGEN BIO-SYSTEMS, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Operations (Unaudited)

	Three Months Ended September 30, 2012	Three Months Ended September 30, 2011	Nine Months Ended September 30, 2012	Nine Months Ended September 30, 2011
Revenue	$ 176,608	$ 89,088	$ 269,999	$ 485,025
Cost of revenue	144,327	492,246	245,322	647,137
Gross profit	32,281	(403,158)	24,677	(162,112)
Operating expenses:				
Sales and marketing	160,006	913,948	572,837	2,550,107
Research and development	1,311,812	1,900,417	4,929,536	5,980,305
General and administrative	580,952	1,259,211	2,465,222	4,747,992
Total operating expenses	2,052,770	4,073,576	7,967,595	13,278,404
Operating loss	(2,020,489)	(4,476,734)	(7,942,918)	(13,440,516)
Other income and (expenses):				
Interest income	672	6,843	6,231	14,203
Interest expense (including excess debt discount of $2,255,074 expensed as interest in the three and nine months ended September 30, 2011)	(564,009)	(240,143)	(1,379,576)	(3,059,370)
Gain (loss) on revaluation of derivative liabilities, net	(385,209)	8,624,976	2,176,982	7,387,082
Governmental subsidies	168,560	—	168,560	—
Liquidated damages for late S-1 registration	—	(532,161)	—	(532,161)
Miscellaneous income (expense)	(181,247)	214,843	(158,439)	197,593
Total other income and (expenses)	(961,233)	8,074,358	813,758	4,007,347
Net income (loss) before provision for income taxes	(2,981,722)	3,597,624	(7,129,160)	(9,433,169)
Provision for income taxes	(14,142)	16,703	12,745	(713)
Net income (loss)	(2,967,580)	3,580,921	(7,141,905)	(9,432,456)
Accretion on Series A and B convertible preference shares of subsidiary associated with premium	—	(166,773)	—	(287,929)
Accretion on Series A-1 convertible preferred stock associated with beneficial conversion feature	—	—	—	(9,250,009)
Series A-1 preferred dividend	(201,612)	(191,866)	(597,401)	(266,119)
Net income (loss) attributable to common stockholders	$ (3,169,192)	$ 3,222,282	$ (7,739,306)	$ (19,236,513)
Net income (loss) per share – basic	$ (0.08)	$ 0.08	$ (0.19)	$ (0.46)
Net income (loss) per share – diluted	$ (0.08)	$ 0.03	$ (0.19)	$ (0.46)
Shares used to compute net income (loss) per share – basic	41,665,022	41,549,594	41,656,827	41,378,428
Shares used to compute net income (loss) per share –diluted	41,665,022	113,656,017	41,656,827	41,378,428

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

WAFERGEN BIO-SYSTEMS, INC. AND SUBSIDIARIES

Condensed Consolidated Statements Comprehensive Income (Loss) (Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	**2011**	**2012**	**2011**
Net income (loss)	$ (2,967,580)	$ 3,580,921	$ (7,141,905)	$ (9,432,456)
Foreign currency translation adjustments	220,921	(305,553)	187,997	(264,143)
Total comprehensive income (loss)	$ (2,746,659)	$ 3,275,368	$ (6,953,908)	$ (9,696,599)

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

WAFERGEN BIO-SYSTEMS, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Cash Flows (Unaudited)

	Nine Months Ended September 30, 2012	Nine Months Ended September 30, 2011
Cash flows from operating activities:		
Net loss	$ (7,141,905)	$ (9,432,456)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	694,836	613,192
Stock-based compensation	285,483	690,263
Exchange gain on issuance of convertible preference shares of subsidiary	—	(58,575)
Gain on revaluation of derivative liabilities, net	(2,176,982)	(7,387,082)
Excess debt discount expensed as interest	—	2,255,074
Interest converted to principal on convertible promissory notes	597,484	266,119
Provision for excess and obsolete inventory	60,353	440,186
Allowance for doubtful accounts	—	20,000
Amortization of debt discount	718,918	43,837
Change in operating assets and liabilities:		
Restricted cash	—	(265)
Accounts receivable	(14,607)	677,985
Inventories	111,953	(1,436,101)
Prepaid expenses and other assets	(15,019)	469,629
Accounts payable	(472,092)	22,170
Accrued payroll and related costs	(394,674)	72,829
Other accrued expenses	106,869	388,374
Net cash used in operating activities	(7,639,383)	(12,354,821)
Cash flows from investing activities:		
Purchase of property and equipment	(41,262)	(663,862)
Net cash used in investing activities	(41,262)	(663,862)
Cash flows from financing activities:		
Repayment of capital lease obligations	—	(8,852)
Net proceeds from issuance of Series C convertible preference shares of subsidiary	—	5,052,303
Repayment of term loan	—	(2,178,585)
Net proceeds from issuance of Series A-1 convertible preferred stock, convertible promissory notes and warrants	—	28,025,037
Proceeds from issuance of common stock and warrants, net of offering costs	—	9,200
Payment of taxes for restricted stock forfeited	—	(37,805)
Net cash provided by financing activities	—	30,861,298
Effect of exchange rates on cash	178,358	(241,733)
Net increase (decrease) in cash and cash equivalents	(7,502,287)	17,600,882
Cash and cash equivalents at beginning of the period	15,117,172	2,209,941
Cash and cash equivalents at end of the period	$ 7,614,885	$ 19,810,823

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

Notes to the Condensed Consolidated Financial Statements (Unaudited)

NOTE 1. The Company

General – WaferGen Bio-systems, Inc. and its 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 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, and was acquired by WaferGen Bio-systems, Inc. in a reverse merger on May 31, 2007.

On January 24, 2008, the Company formed a new subsidiary in Malaysia. This subsidiary, WaferGen Biosystems (M) Sdn. Bhd. ("WGBM"), is involved in various initiatives to support a number of the Company's ongoing development and commercialization goals. The parent company owns 100% of the common stock and 8.2% (including all shares that have been assumed by the parent company pursuant to exercises of exchange rights for which the Company has received notice from investors) of the preference shares of this entity. The Company expects that all of the subsidiary's preference shares will be converted into shares of the parent company, however if all preference shares were converted into common stock of WGBM, the parent company would own 72.8% of WGBM's common stock. See Note 5 below.

On August 30, 2011, the Company formed a new wholly owned subsidiary in Luxembourg to establish a presence for its marketing and research activities in Europe.

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, 2011, included in our Form 10-K 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 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 for which the 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). Foreign exchange gains and losses for assets and liabilities of the Company's non-U.S. subsidiaries for which the functional currency is the U.S. dollar are recorded in miscellaneous income (expense) in the Company's condensed consolidated statements of operations.

Inventory – Inventory is recorded at the lower of cost (first-in, first-out) or market value. Additionally, the Company evaluates its inventory in terms of excess and obsolete exposures.

Governmental Subsidies – Subsidies received from governments in the form of grants are recorded within other income and expenses in the statement of operations. Grants awarded for the purpose of matching specified expenditures are not recognized until a definitive agreement has been signed by both parties; thereafter income is recognized to the extent that the related expenses have been incurred.

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.

Change in Fair Value of Derivatives – The Company recognizes its warrants with certain anti-dilution protection, the Series A convertible preference shares of its Malaysian subsidiary, and the conversion element of its convertible promissory notes and of the Series B convertible preference shares of its Malaysian subsidiary as derivative liabilities. Such liabilities are valued when the financial instruments are initially issued or the derivative first requires recognition and are also revalued at each reporting date, with the change in their respective fair values being recorded as a gain or loss on revaluation within other income and expenses in the statement of operations. The Company determines the fair value of all of its derivative liabilities using a Monte Carlo Simulation approach, with key input variables provided by management.

Warranty Reserve – The Company's standard warranty agreement is one year from shipment of certain products. The Company accrues for anticipated warranty costs upon shipment of these products. The Company's warranty reserve is based on management's judgment regarding anticipated rates of warranty claims and associated repair costs, and is updated 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. In the event of a net loss, the effects of all potentially dilutive shares are excluded from the diluted net loss per share calculation as their inclusion would be antidilutive.

Reclassification – Certain reclassifications have been made to prior periods' data to conform to the current presentation. These reclassifications had no effect on reported net losses.

Recent Accounting Pronouncements

In May 2011, the FASB issued ASU 2011-04, "Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs" ("ASU 2011-04"). ASU 2011-04 results in common fair value measurement and disclosure requirements in U.S. GAAP and IFRSs. The Company adopted this guidance effective January 1, 2012, and its adoption did not have a material impact on the Company's consolidated financial condition or results of operations.

NOTE 3. Inventories

Inventories, net of provisions for potentially excess, obsolete or impaired goods, consisted of the following at September 30, 2012, and December 31, 2011:

	September 30, 2012	December 31, 2011
Raw materials	$ 120,407	$ 167,765
Work in process	182,220	191,450
Finished goods	270,027	385,793
Inventories, net	$ 572,654	$ 745,008

NOTE 4. Long Term Obligations

On December 7, 2010, the Company entered a $2,000,000 Loan and Security Agreement ("LSA") with Oxford Finance Corporation ("Oxford"). Borrowings under this term loan were at an interest rate of approximately 13%, and for the first six months, interest only was repayable, after which the balance of principal and interest were repayable in equal monthly installments over a thirty month period. The Company granted Oxford a first priority security interest in substantially all of its assets, excluding its intellectual property.

The Company issued a total of 95,368 warrants to Oxford in connection with the LSA. These warrants have a term of five years, and an exercise price of $1.468. Utilizing the Black-Scholes valuation model and assumptions of the fair value of common stock of $1.41, an expected term of four years, estimated volatility of 43.96%, a zero dividend rate and a risk-free interest rate of 1.305%, the Company determined the total allocated fair value of the warrants to be $46,230.

Further, the Company incurred initial costs of $157,240 to obtain the LSA, which contained a provision providing for a termination fee of $95,000. The total financing costs of $298,470 were amortized as a non-cash interest expense over the period of the loan using the effective interest method. The loan was repaid in full on May 27, 2011. At this date, the unamortized financing costs of $222,275 plus additional costs of $83,585 arising from early termination were expensed as interest.

On May 27, 2011, the Company sold convertible promissory notes in the aggregate principal amount of $15,275,000, convertible into an aggregate of approximately 2,679,824 shares of Series A-2 Convertible Preferred Stock at a price of $5.70 per share, with each share being convertible into ten shares of common stock. The convertible promissory notes were sold along with convertible preferred stock and warrants for aggregate gross proceeds of $30,550,000, which after deducting issuance costs of $2,524,963 left net proceeds of $28,025,037. Interest on the convertible promissory notes accrues at a rate of 5% per annum, and may either be paid on the last day of each fiscal quarter, or added to the principal amount of the notes, at the Company's option.

Using the relative fair value of the securities issued, the Company initially allocated the gross proceeds of $30,550,000 to the convertible promissory notes ($10,072,592), the Series A-1 convertible preferred stock ($10,724,991 - see Note 6) and the warrants ($9,752,417 - see Note 8). However, until September 30, 2011, the convertible promissory notes contained a feature that adjusted the number of shares issuable to investors in the event the Company requested conversion of the convertible promissory notes in certain circumstances. They also contain features affording the holder additional shares in the event of certain organic changes to the Company. Because these features result in the embedded conversion element not being considered indexed to the Company's equity, the Company recognizes the conversion element of the convertible promissory notes as a derivative liability at its fair value. A liability of $11,495,163 was thus recognized on the date of issuance, and this is marked to its fair value through income in all subsequent periods (see Note 9). Because the fair value of the conversion element exceeded the net proceeds initially allocated to the convertible promissory notes, the Company recognized a loss of $2,255,074 at the date the convertible promissory notes were issued. The loss is reflected as additional interest expense.

The debt discount related to the debt element of the convertible promissory notes of $14,442,497 is being amortized as non-cash interest expense using the effective yield method over the 3.5 year contractual term of the convertible promissory notes. The $832,502 in issuance costs allocated to the convertible promissory notes was recorded as a deferred financing cost, which is also being amortized as a non-cash interest expense using the effective yield method over the 3.5 year contractual term of the promissory notes.

On September 30, 2011, the Company and the note holders modified the convertible promissory notes to eliminate the feature that adjusted the number of shares issuable to investors in the event the Company requested conversion of the convertible promissory notes in certain circumstances.

The Company values the derivative liability for the conversion element of the convertible promissory notes using a Monte Carlo Simulation approach, using critical assumptions provided by management reflecting conditions at the valuation dates. The fair value of this derivative liability at May 27, 2011, included assumptions of the fair value of common stock of $0.68, estimated volatility of 64.31%, a risk-free interest rate of 0.21%, a zero dividend rate and a contractual term of 3.50 years, and was estimated to be $11,495,163.

The fair value of this derivative liability at September 30, 2011, with the feature that adjusted the number of shares issuable to investors in the event the Company requested conversion of the convertible promissory notes in certain circumstances still in effect, included assumptions of the fair value of common stock of $0.30, estimated volatility ranging from 71.79% to 81.20%, a risk-free interest rate ranging from 0.06% to 0.22%, a zero dividend rate and a contractual term of 3.16 years, and was estimated to be $5,583,011. The net decrease in the fair value of this derivative liability of $5,912,152 during the period from May 27, 2011, to September 30, 2011, was recorded as a revaluation gain (see Note 9). The fair value of this derivative liability at September 30, 2011, without the feature that adjusted the number of shares issuable to investors in the event the Company requested conversion of the convertible promissory notes in certain circumstances, included assumptions of the fair value of common stock of $0.30, estimated volatility ranging of 71.79%, a risk-free interest rate of 0.22%, a zero dividend rate and a contractual term of 3.16 years, and was estimated to be $5,009,088. The reduction in the fair value of the derivative liability arising from the modification in the terms of the convertible promissory notes of $573,923 was recognized as an increase in Stockholders' Equity (see Note 9).

The fair value of this derivative liability at December 31, 2011, included assumptions of the fair value of common stock of $0.16, estimated volatility of 82.82%, a risk-free interest rate of 0.18%, a zero dividend rate and a contractual term of 2.91 years, and was estimated to be $1,931,295. The fair value of this derivative liability at September 30, 2012, included assumptions of the fair value of common stock of $0.08, estimated volatility of 126.57%, a risk-free interest rate of 0.16%, a zero dividend rate and a contractual term of 2.16 years, and was estimated to be $458,310. The net decrease in the fair value of this derivative liability of $1,472,985 during the nine months ended September 30, 2012, was recorded as a revaluation gain (see Note 9).

The balance of the convertible promissory notes comprises the following at September 30, 2012, and December 31, 2011:

	September 30, 2012	December 31, 2011
Convertible Promissory Notes Payable:		
Face value	$ 15,275,000	$ 15,275,000
Interest added to principal	1,057,867	460,383
Stated value	16,332,867	15,735,383
Debt discount – conversion element, net of accumulated amortization of $831,999 and $113,081 respectively	13,610,498	14,329,416
Notes payable, net of debt discount	$ 2,722,369	$ 1,405,967

The Company leased equipment under a capital lease on which the final installment was paid in August 2011 and has no future obligations under capital leases as of September 30, 2012.

NOTE 5. Convertible Preference Shares of Subsidiary

In 2008, the Company's Malaysian subsidiary, WGBM, issued Series A convertible preference shares ("CPS") to Malaysian Technology Development Corporation Sdn. Bhd. ("MTDC"), a venture capital and development firm in Malaysia, in a private placement under a Share Subscription and Shareholders' Agreement dated May 8, 2008, at the U.S. dollar equivalent of $2.25 per share. In 2009 and 2010, WGBM issued Series B CPS to Expedient Equity Ventures Sdn. Bhd. ("EEV") and Prima Mahawangsa Sdn. Bhd. ("PMSB"), both venture capital and development firms in Malaysia, in a private placement under a Share Subscription Agreement dated April 3, 2009, ("Series B SSA") at the U.S. dollar equivalent of $2.25 per share. In 2009, WGBM issued Series B CPS to Kumpulan Modal Perdana Sdn. Bhd. ("KMP"), a venture capital and development firm in Malaysia, in a private placement under a Share Subscription Agreement dated July 1, 2009, at the U.S. dollar equivalent of $2.25 per share.

In 2010, both EEV and KMP exercised their option (see Paragraph (b) below) to sell to the Company their holdings of 222,222 and 188,057 Series B CPS, respectively, in exchange for shares of the Company's common stock.

These transactions, along with the issuance of Series C CPS in 2011 (see below), are summarized as follows:

Class of CPS	Number of CPS	Initial Investor	Issuance Date	Gross Proceeds	Issuance (Costs)	Exchange Gain (loss)	Net Cash Proceeds	Date if Exchanged	CPS Outstanding
Series A	444,444	MTDC	07/18/2008	$ 1,000,000	$ (30,000)	$ —	$ 970,000	—	444,444
Series A	444,444	MTDC	11/27/2008	1,000,000	(30,000)	—	970,000	—	444,444
Series B	111,111	EEV	06/08/2009	250,000	(19,393)	(18,029)	212,578	08/17/2010	—
Series B	111,111	EEV	03/09/2010	250,000	(8,929)	(3,005)	238,066	08/17/2010	—
Series B	222,222	PMSB	09/23/2009	500,000	(7,500)	—	492,500	—	222,222
Series B	222,222	PMSB	05/13/2010	500,000	(5,000)	—	495,000	—	222,222
Series B	188,057	KMP	09/18/2009	423,128	(11,319)	—	411,809	09/29/2010	—
Subtotal	1,743,611			3,923,128	(112,141)	(21,034)	3,789,953		1,333,332
Series C	3,233,734	MTDC	03/10/2011	5,000,000	(6,272)	58,575	5,052,303	—	3,233,734
	4,977,345			$ 8,923,128	$ (118,413)	$ 37,541	$ 8,842,256		4,567,066

Under the terms of a Deed of Adherence dated April 3, 2009 (and under the Series C SSA, as defined below), certain rights of the holders of the Series A CPS were modified. In addition, under the terms of the Series B SSA, the use of funds raised through the issuance of both Series A and Series B CPS 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 Series A and B CPS included, but were not limited to, the right:

(a) to put to the Company their CPS (or ordinary shares in WGBM received on conversion of those CPS 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 in order to redeem for cash (or, at the holder's option, shares of Company common stock of equivalent value) the amount originally invested in USD plus a premium of 8%, compounded annually, with yearly rests (each year's accrued interest would be forfeited in the event of redemption prior to the anniversary of the initial investment) (the "Redemption Option," since amended for Series A and expired for Series B, see below);

(b) to cause the Company to exchange their CPS 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 CPS, that commencing on August 1, 2010, if during the 10-day trading period immediately prior to the holder's exercise notice the average closing price of the Company's common stock is less than US$2.647, then the holder may exchange CPS 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 CPS, on April 3, 2014, for EEV's and PMSB's Series B CPS and on July 1, 2014, for KMP's Series B CPS (the "Conversion Option," since exercised by EEV and KMP);

(c) to convert their CPS into ordinary shares of the subsidiary, WGBM, at any time, at a conversion rate of three ordinary shares per $100 invested in CPS;

(d) to cause the subsidiary, WGBM, to redeem the CPS 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 in excess of $2 million);

(e) of first offer on any transfers or new issuance of subsidiary shares; and

(f) for each of Series A and Series B CPS, to appoint one of the seven directors of the subsidiary (see below also).

Since the Conversion Option affords holders of Series B CPS the right to receive a variable number of shares of the Company's common stock, this feature is not indexed to the Company's equity and is therefore accounted for as a derivative liability, with the estimated fair value being calculated at each reporting date using a Monte Carlo Simulation approach, using key input variables provided by management, with changes in fair value recorded as gains or losses on revaluation in non-operating income (expense).

Fair values at September 30, 2012 and 2011, were estimated to be $1,334,545 and $82,861, respectively, using a closing stock price of $0.08 and $0.30, respectively, and based on the following assumptions:

	September 30, 2012	September 30, 2011
Risk-free interest rate	0.18%	0.02%
Expected remaining term	1.21 Years	0.20 Years
Expected volatility	119.55%	82.23%
Dividend yield	0%	0%

The net increase in the fair value of this derivative liability of $89,444 during the nine months ended September 30, 2012, was recorded as a revaluation loss, and the net decrease in the fair value of this derivative liability of $111,227 during the nine months ended September 30, 2011, was recorded as a revaluation gain (see Note 9). On December 31, 2011, the Series B CPS Redemption Option lapsed. The Series B CPS recorded in temporary equity was transferred to permanent equity and the value of the derivative liability for the conversion element, now the only substantive right available to PMSB, increased significantly as a result.

Based on the average closing price of the Company’s common stock of $0.072 in the 10-day trading period immediately prior to September 30, 2012, PMSB could have converted their Series B CPS into 16,339,869 shares of such stock had they exercised the Conversion Option on that date.

On December 9, 2011, the terms of the Series A CPS were amended by a Letter Agreement with MTDC (the “MTDCLA”) to extend the period during which MTDC could exercise the Redemption Option from December 31, 2011 to April 3, 2014. In addition, the holder’s option to elect to receive shares of Company common stock of equivalent value (see above) was amended to give the Company the option, upon the exercise of the Redemption Option, to pay in shares of its common stock at an Applicable Stock Price (“ASP”), calculated as 85% of the average closing price of that stock during the 10-day trading period immediately prior to MTDC’s exercise notice. Further, the ASP is subject to a ceiling of $1.55 and a floor of $0.10.

The amendment that allows the Company to settle the Redemption Option in a variable number of shares causes the Redemption Option to no longer be considered indexed to the Company’s equity. As a result, the Company recognized the Redemption Option as an embedded derivative requiring bifurcation effective December 9, 2011. The host instrument (the Series A CPS absent the Redemption Option) is not redeemable and therefore should be classified as part of permanent equity. Accordingly, this modification to the Series A CPS resulted in (1) the recognition of a derivative liability of $2,198,828, (2) the elimination of temporary equity of $2,519,424, and (3) an increase in permanent equity of $320,596. As the fair value of the amended Series A CPS was $320,390 less than the carrying amount of the accreted Series A CPS prior to the amendment, $320,390 of the amount transferred to permanent equity was treated as reversal of prior accretion of the Series A CPS.

On September 30, 2012, the Company revalued the derivative liability for Series A CPS utilizing a Monte Carlo Simulation and assumptions of the fair value of common stock of $0.08, estimated volatilities of 120.84% to 125.60%, risk-free interest rates of 0.16% to 0.18%, a zero dividend rate and expected remaining terms of 0.80 to 1.16 years; the total fair value was estimated to be $1,563,664. The net decrease in the fair value of this derivative liability of $572,051 during the nine months ended September 30, 2012, was recorded as a revaluation gain (see Note 9).

On September 30, 2012, the cash value of the Redemption Option was $2,620,201. Since 85% of the average closing price of the Company’s common stock of $0.072 in the 10-day trading period immediately prior to September 30, 2012, was less than the ASP floor of $0.10, the Company could have settled this liability by issuing 26,202,010 shares of its common stock if MTDC had exercised the Conversion Option on that date.

On March 10, 2011, WGBM issued 3,233,734 Series C CPS to MTDC in a private placement at the U.S. dollar equivalent of $1.5462 per share, representing the first subscription under a Share Subscription Agreement dated December 14, 2010, (“Series C SSA”) to sell 3,233,734 Series C CPS at an initial closing and, should MTDC so elect within 36 months of the initial closing, to sell 1,077,911 shares of Series C CPS at a subsequent closing at the U.S. dollar equivalent of US$2.3193 per share (see Note 8). MTDC may also elect to convert their Series C CPS into ordinary shares of the subsidiary, WGBM, at any time, at a conversion rate of one ordinary share per 100 CPS. MTDC may appoint one of the seven directors of the subsidiary (in addition to the director they may appoint as the holder of Series A CPS), and an additional independent director may be jointly appointed by MTDC and the Company. Each Series C CPS issued at the initial closing can convert into one share of the Company on April 3, 2014 (this was extended from December 20, 2011, by the MTDCLA), and each Series C CPS issued at the subsequent closing will convert into one share of the Company on the anniversary of that closing, but the Series C may convert at any earlier date following each closing at MTDC's option.

WGBM is authorized to issue 200,000,000 preference shares with a par value of RM0.01. There were 4,977,345 preference shares (including 410,279 Series B CPS held by the Company upon exercise by EEV and KMP of their options) issued and outstanding at September 30, 2012, and December 31, 2011.

NOTE 6. Preferred Stock

The Company has 10,000,000 shares of preferred stock authorized. Effective May 26, 2011, the Company designated 4,500,000 shares as Series A-1 Convertible Preferred Stock and 4,500,000 shares as Series A-2 Convertible Preferred Stock (together, the "Series A Preferred Stock"). Each share of Series A Preferred Stock is convertible into ten shares of common stock, subject to an ownership cap whereby conversion may not occur to the extent the holder would own more than 9.985% of the common stock following conversion, and entitles the holder to receive dividends, as, when and if declared by the Company's Board of Directors, at an annual rate of 5% of the stated value per share of the respective series. Such dividends accrue, compounding quarterly, and accumulate on each share of Series A Preferred Stock from the date of issuance, whether or not declared, until November 27, 2014, when the right to further dividends ceases. The Series A Preferred Stock has no voting rights, and in the event of liquidation ranks senior to common stock.

Effective May 27, 2011, the Company sold an aggregate of 2,937,499.97 shares of Series A-1 Convertible Preferred Stock with a stated value of $5.20 per share. The Company recorded the allocated valuation of $10,724,991 (see Note 4), less allocated issuance costs of $886,422, as Series A-1 Convertible Preferred Stock within permanent equity.

As of September 30, 2012, $1,055,609 of undeclared dividends had been accrued with respect to the outstanding Series A-1 Convertible Preferred Stock, of which $201,612 and $597,401 relate to the three and nine months ended September 30, 2012, respectively.

NOTE 7. Stock Awards

The Company has awards outstanding under three plans - the 2003 Incentive Stock Plan (the "2003 Plan"), the 2007 Stock Option Plan (the "2007 Plan") and the 2008 Stock Incentive Plan (the "2008 Plan") (collectively, the "Plans"). Under the 2003 Plan and 2007 Plan, incentive stock options, nonqualified stock options, restricted stock and restricted stock units could be granted. Awards vested over varying periods, as specified by the Company's Board of Directors for each grant, and are exercisable for a maximum period of ten years after date of grant. Both of these plans have been frozen, resulting in no further shares being available for grant.

The Company presently issues awards under the 2008 Plan, initially adopted by the Company's stockholders on June 5, 2008, and subsequently amended to authorize the issuance of additional shares of the Company's common stock. 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, non-qualified stock options, restricted stock and restricted stock units, although no more than 50% of the authorized shares may be granted pursuant to awards of restricted stock and restricted stock units. Awards that expire or are canceled generally become available for issuance again under the 2008 Plan. The number of shares of the Company's 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 the Company's common stock or capital structure. 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 (including restricted stock units) under the 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.

A summary of stock option and restricted stock transactions in the nine months ended September 30, 2012, is as follows:

		Stock Options		Restricted Stock	
	Shares Available For Grant	Number of Options Outstanding	Weighted Average Exercise Price	Number of Shares Outstanding	Weighted Average Grant-Date Fair Value
Balance at January 1, 2012	10,305,071	4,306,900	$ 1.3978	5,000	$ 1.2500
Granted	(9,385,500)	9,324,000	$ 0.1188	61,500	$ 0.1385
Vested	—	—	$ —	(51,500)	$ 0.2460
Forfeited	1,471,073	(1,471,073)	$ 0.5925	—	$ —
Canceled	937,342	(1,135,329)	$ 1.3123	—	$ —
Balance at September 30, 2012	3,327,986	11,024,498	$ 0.4323	15,000	$ 0.1400

No options were exercised during the nine months ended September 30, 2012. The Company received $104,566 for the 324,740 options exercised during the nine months ended September 30, 2011, which had an intrinsic value of $203,399.

The aggregate intrinsic value of options outstanding at September 30, 2012, was $7,757, all related to options exercisable, based on our common stock closing price of $0.08. 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 weighted-average grant date fair value of options awarded in the nine months ended September 30, 2012 and 2011, was $0.08 and $0.29, respectively. Fair values were estimated using the following assumptions:

	Nine Months Ended September 30,	
	2012	2011
Risk-free interest rate	0.71% - 1.14%	0.79% - 2.24%
Expected term	4.75 Years	4.75 Years
Expected volatility	65.02% - 98.80%	42.44% - 66.83%
Dividend yield	0%	0%

The amounts expensed for stock-based compensation totaled $99,024 and $140,620 for the three months ended September 30, 2012 and 2011, respectively, and $285,483 and $690,263 for the nine months ended September 30, 2012 and 2011, respectively. These sums include $120 and $3,740 expensed in the three months ended September 30, 2012 and 2011, respectively, and $120 and $130,230 in the nine months ended September 30, 2012 and 2011, for restricted stock awards to consultants.

At September 30, 2012, the total stock-based compensation cost not yet recognized, net of estimated forfeitures, was $583,371. This cost is expected to be recognized over an estimated weighted average amortization period of 2.36 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. Warrants

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 gains or losses on revaluation in non-operating income (expense).

During the nine months ended September 30, 2012 and 2011, a decrease in the fair value of the warrant derivative liability of $221,390 and $1,363,703, respectively, was recorded as a revaluation gain (see Note 9).

Fair values at September 30, 2012 and 2011, were estimated to be $433,829 (with the fair value per warrant share ranging from $0.001 to $0.072) and $561,456 (with the fair value per warrant share ranging from $0.03 to $0.09), respectively, using a closing stock price of $0.08 and $0.30, respectively, and based on the following assumptions:

	September 30, 2012	September 30, 2011
Risk-free interest rate	0.15% - 0.22%	0.19% - 0.39%
Expected remaining term	0.64 - 1.79 Years	1.50 -2.59 Years
Expected volatility	106.78% - 122.48%	72.46% - 78.69%
Dividend yield	0%	0%

In connection with the fundraising on May 27, 2011, members of management, with warrants to purchase a total of 1,051,074 shares with an estimated fair value of $315,803 following anti-dilution adjustments as of that date, waived their right to any future anti-dilution adjustments, so this estimated fair value was transferred to stockholders' equity.

A summary of outstanding common stock warrants as of September 30, 2012, is as follows:

Securities Into Which Warrants are Convertible	Total Warrants Outstanding	Warrants Subject to Anti-Dilution	Exercise Price	Expiration Date
Common stock	56,173,248	—	$0.6200	May 2016
Common stock	4,487,656	3,718,425	$0.7800	June and August 2014
Common stock	2,875,736	2,774,050	$0.8400	December 2014 and January 2015
Common stock	2,265,071	2,084,914	$0.8400	May 2013
Common stock	95,368	—	$1.4680	December 2015
Common stock	203,500	—	$1.5000	July 2015
Common stock	3,000,830	—	$1.5500	July 2015
Common stock	200,000	—	$3.0000	December 2014 and November 2015
Subtotal	69,301,409	8,577,389		
Series C CPS	1,077,911	—	$2.3193	March 2014
Total	70,379,320	8,577,389		

The warrants expiring in May 2016 were issued in conjunction with the May 2011 Private Placement, and were recorded at an allocated valuation of $9,752,417 (see Note 4), less allocated issuance costs of $806,039, at the time of issuance utilizing the Black-Scholes valuation model and assumptions of the fair value of common stock of $0.68, an exercise price of $0.62, estimated volatility of 89.58%, a risk free interest rate of 1.03%, a zero dividend rate and an expected term of 3.50 years. These warrants include the right to receive consideration for the unexercised portion of the warrant, based on a Black-Scholes model set forth in the warrants, in the event of certain substantial changes in ownership or trading status of the Company. This contingent embedded derivative will be accounted for only if such an event should occur.

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 September 30, 2012, had an exercise price of $0.78 and entitled the holders thereof to purchase an aggregate of 4,487,656 shares. In connection with the May 2011 Private Placement, members of management with warrants to purchase a total of 769,231 shares (after giving effect to prior anti-dilution adjustments) waived their right to further anti-dilution adjustments.

The warrants expiring in December 2014 and January 2015 were originally issued in December 2009 and January 2010 with an exercise price of $2.50 and entitled the holders thereof to purchase an aggregate of 966,247 shares. As a result of anti-dilution adjustments with respect to such warrants pursuant to their terms, such warrants, as of September 30, 2012, had an exercise price of $0.84 and entitled the holders thereof to purchase an aggregate of 2,875,736 shares. In connection with the May 2011 Private Placement, members of management with warrants to purchase a total of 101,686 shares (after giving effect to prior anti-dilution adjustments) waived their right to further anti-dilution adjustments.

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 September 30, 2012, had an exercise price of $0.84 and entitled the holders thereof to purchase an aggregate of 2,265,071 shares. In connection with the May 2011 Private Placement, members of management with warrants to purchase a total of 180,157 shares (after giving effect to prior anti-dilution adjustments) waived their right to further anti-dilution adjustments.

The 95,368 warrants expiring in December 2015 were issued in December 2010 in conjunction with obtaining a term loan (see Note 4).

The Series C SSA (see Note 5) grants the holders of the Series C CPS the right to subscribe for a further 1,077,911 CPS at a price of $2.3193. Since these Series C CPS would convert into common stock of the Company within one year of the subscription date, this right is, for accounting purposes, equivalent to a warrant to purchase the Company's common stock.

NOTE 9. 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").

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, the Company primarily uses prices and other relevant information generated by market transactions involving identical or comparable assets ("market approach"). The Company also considers 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 following tables present the Company's assets and liabilities that are measured at fair value on a recurring basis at September 30, 2012 and December 31, 2011:

	Level 1	Level 2	Level 3	Total
September 30, 2012				
Financial Assets:				
Cash and cash equivalents	$ 7,614,885	$ —	$ —	$ 7,614,885
Total assets	$ 7,614,885	$ —	$ —	$ 7,614,885
Financial Liabilities:				
Warrant derivative liabilities	$ —	$ —	$ 433,829	$ 433,829
Conversion element of promissory notes	—	—	458,310	458,310
Conversion element of Series B CPS	—	—	1,334,545	1,334,545
Series A CPS derivative liabilities	—	—	1,563,664	1,563,664
Total liabilities	$ —	$ —	$ 3,790,348	$ 3,790,348

	Level 1	Level 2	Level 3	Total
December 31, 2011				
Financial Assets:				
Cash and cash equivalents	$ 15,117,172	$ —	$ —	$ 15,117,172
Total assets	$ 15,117,172	$ —	$ —	$ 15,117,172
Financial Liabilities:				
Warrant derivative liabilities	$ —	$ —	$ 655,219	$ 655,219
Conversion element of promissory notes	—	—	1,931,295	1,931,295
Conversion element of Series B CPS	—	—	1,245,101	1,245,101
Series A CPS derivative liabilities	—	—	2,135,715	2,135,715
Total liabilities	$ —	$ —	$ 5,967,330	$ 5,967,330

The following tables present a reconciliation of all liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the nine months ended September 30, 2012 and 2011:

	Warrant Derivatives	Conversion Element of Promissory Notes	Conversion Element of Series B CPS	Series A CPS Derivatives	Total
Balance at January 1, 2012	$ 655,219	$ 1,931,295	$ 1,245,101	$ 2,135,715	$ 5,967,330
Issuances	—	—	—	—	—
Revaluation (gains) losses included in other income and (expenses)	(221,390)	(1,472,985)	89,444	(572,051)	(2,176,982)
Settlements	—	—	—	—	—
Balance at September 30, 2012	$ 433,829	$ 458,310	$ 1,334,545	$ 1,563,664	$ 3,790,348
Total gains (losses) included in other income and (expenses) attributable to liabilities still held as of September 30, 2012	$ 221,390	$ 1,472,985	$ (89,444)	$ 572,051	$ 2,176,982

	Warrant Derivatives	Conversion Element of Promissory Notes	Conversion Element of Series B CPS	Series A CPS Derivatives	Total
Balance at January 1, 2011	$ 2,240,962	$ —	$ 194,088	$ —	$ 2,435,050
Issuances	—	11,495,163	—	—	11,495,163
Revaluation (gains) losses included in other income and (expenses)	(1,363,703)	(5,912,152)	(111,227)	—	(7,387,082)
Settlements	(315,803)	(573,923)	—	—	(889,726)
Balance at September 30, 2011	$ 561,456	$ 5,009,088	$ 82,861	$ —	$ 5,653,405
Total gains (losses) included in other income and (expenses) attributable to liabilities still held as of September 30, 2011	$ 1,417,928	$ 5,912,152	$ 111,227	$ —	$ 7,441,307

Assumptions used in evaluating the warrant derivative liabilities, the conversion element of the promissory notes, the conversion element of the Series B CPS and the Series A CPS derivative liabilities are discussed in Notes 8, 4, 5 and 5, respectively. The principal assumptions used, and their impact on valuations, are as follows:

Risk-Free Interest Rate. This is the U.S. Treasury rate for the measurement date having a term equal to the weighted average expected remaining term of the instrument. 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 instrument is expected to remain outstanding and is based on management's estimate, taking into consideration the remaining contractual life, and historical experience. For the convertible promissory notes, the Company considers a blend of expected remaining terms prior to partial conversion into Series A-2 Convertible Preferred Stock, giving consideration to the likelihood of conversion under various scenarios, and a further blend of expected remaining terms prior to partial conversion into common stock, all based on management's projections of when such conversions would occur within the contractual term. 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 Company's common stock price has fluctuated or is expected to fluctuate. To the extent that the Company's common stock has not been traded for as long as the expected remaining term of the instrument, the Company uses a weighted-average of the historic volatility of a group of publicly traded companies over the retrospective period corresponding to the expected remaining term of the instrument on the measurement date. The group of publicly traded companies is selected from the same industry or market index, with extra weighting attached to those companies most similar in terms of business activity, size and financial leverage. To the extent that the Company's common stock has been traded for longer than the expected remaining term of the instrument, this weighted average is used to determine 50% of the volatility, with the Company's own historic volatility used to determine the remaining 50%. 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 and does not plan to pay dividends in the foreseeable future. An increase in the dividend yield will decrease the fair value and the associated derivative liability.

NOTE 10. Cash Flow Information

Cash paid during the nine months ended September 30, 2012 and 2011, is as follows (interest paid in the nine months ended September 30, 2011, excludes $178,585 which was paid to Oxford relating to termination of the term loan and was expensed as interest):

	Nine Months Ended September 30, 2012	Nine Months Ended September 30, 2011
Interest paid	$ —	$ 127,062
Income taxes paid	$ 32,614	$ —
Income taxes (received)	$ (25,539)	$ —

WAFERGEN BIO-SYSTEMS, INC. AND SUBSIDIARIES

Notes to the Condensed Consolidated Financial Statements (Unaudited)

Supplemental disclosure of non-cash investing and financing activities for the nine months ended September 30, 2012 and 2011, is as follows:

	Nine Months Ended September 30,	
	2012	2011
Warrant derivative liabilities transferred to equity on waiver of future anti-dilution rights	$ —	$ 315,803
Conversion element of convertible promissory notes transferred to equity on modification of terms (see Note 4)	$ —	$ 573,923
Conversion element bifurcated on issuance of convertible promissory notes	$ —	$ 11,495,163
Interest converted to principal on convertible promissory notes	$ 597,484	$ 266,119
Beneficial conversion feature related to Series A-1 convertible preferred stock	$ —	$ 9,250,009
Inventory transferred to property and equipment	$ —	$ 693,942
Accretion on Series A and B CPS of subsidiary associated with premium	$ —	$ 287,929

NOTE 11. Concentrations

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 September 30, 2012, four customers accounted for 33%, 23%, 20% and 11%, respectively, of accounts receivable. At December 31, 2011, three different customers accounted for 38%, 33% and 10%, respectively, of accounts receivable.

Customers accounting for more than 10% of total revenues during the three and nine months ended September 30, 2012 and 2011, are tabulated as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Customer A	65%	—	49%	—
Customer B	—	—	10%	—
Customer C	—	61%	—	56%
Customer D	—	12%	—	11%

NOTE 12. Net Loss Per Share

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

	Three Months Ended September 30, 2012	Three Months Ended September 30, 2011	Nine Months Ended September 30, 2012	Nine Months Ended September 30, 2011
Net income (loss) used for net income per share – basic calculation	$ (3,169,192)	$ 3,222,282	$ (7,739,306)	$ (19,236,513)
Deemed dividend applicable to Series A-1 preferred stock	—	191,866	—	—
Interest charges applicable to convertible promissory notes	—	240,120	—	—
Accretion on Series A and B CPS of subsidiary	—	166,773	—	—
Net income (loss) used for net income per share – diluted calculation	(3,169,192)	3,821,041	(7,739,306)	(19,236,513)
Shares used to compute net income (loss) per share - basic	41,665,022	41,549,594	41,656,827	41,378,428
Common share equivalents from exercise of options	—	168,812	—	—
Shares issuable upon vesting of restricted stock	—	23,845	—	—
Shares issuable upon conversion of Series A CPS	—	8,346,240	—	—
Shares issuable upon conversion of Series B CPS	—	3,885,371	—	—
Shares issuable upon conversion of Series C CPS	—	3,233,734	—	—
Shares issuable upon conversion of Series A-1 preferred stock	—	29,516,257	—	—
Shares issuable upon conversion of convertible promissory notes	—	26,932,164	—	—
Shares used to compute net income (loss) per share - diluted	41,665,022	113,656,017	41,656,827	41,378,428
Net income (loss) per share – basic	$ (0.08)	$ 0.08	$ (0.19)	$ (0.46)
Net income (loss) per share – diluted	$ (0.08)	$ 0.03	$ (0.19)	$ (0.46)

No adjustment has been made to the net loss for charges, gains, losses and accretion related to Series A, B and C CPS, Series A-1 Convertible Preferred Stock and convertible promissory notes in the three months ended September 30, 2012, or in the nine months ended September 30, 2012 and 2011, as the effect would be anti-dilutive due to the net loss.

The following outstanding stock options and warrants (on an as-converted into common stock basis) and shares issuable or contingently issuable upon conversion of restricted stock, Series A, B and C CPS, Series A-1 Convertible Preferred Stock and convertible promissory notes 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 nine months ended September 30, 2012, and the nine months ended September 30, 2011:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	**2011**	**2012**	**2011**
Common share equivalents issuable upon exercise of common stock options	96,937	—	347,916	252,935
Common share equivalents issuable upon exercise of common stock warrants	—	—	—	3,937,680
Shares issuable upon vesting of restricted stock	15,163	—	22,400	72,271
Shares issuable upon conversion of Series A CPS	27,268,566	—	27,268,566	8,346,240
Shares issuable upon conversion of Series B CPS	16,339,869	—	16,339,869	3,885,371
Shares issuable upon conversion of Series C CPS	3,233,734	—	3,233,734	2,428,262
Shares issuable upon conversion of Series A-1 convertible preferred stock	31,194,825	—	30,823,380	13,712,896
Shares issuable upon conversion of convertible promissory notes	28,481,129	—	28,132,242	12,512,189
Total common share equivalents excluded from denominator for diluted earnings per share computation	106,630,223	—	106,168,107	45,147,844

In the three months ended September 30, 2011, options to purchase 4,182,302 shares of common stock and warrants and similar instruments to purchase 73,090,180 shares of common stock were excluded from the computation of diluted earnings per share attributable to common stockholders as the effect would have been antidilutive.

NOTE 13. Contingencies

From time to time the Company may be involved in claims arising in connection with its business. Based on information currently available, the Company believes that the amount, or range, of reasonably possible losses in connection with any pending actions against it, including the matter described below, in excess of established reserves, in the aggregate, not to be material to its 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 or loss for such period.

Coalesce v. WaferGen. On April 24, 2012, an action entitled Coalesce Corporation ("Coalesce") v. WaferGen Bio-systems, Inc. was filed in the Alameda County Superior Court. Coalesce, a company that had been providing marketing services between 2006 and 2010, sued the Company for alleged non-payment of sums due, breach of contract, misrepresentation and unjust enrichment. On September 5, 2012, Coalesce filed an amended complaint, with additional claims, for compensatory damages in excess of $500,000 and other compensation. On October 30, 2012, the Company filed a notice of demurrer to Coalesce's complaint seeking to dismiss the complaint in its entirety. The Company believes the claim to be substantially without merit, and while no assurance can be given regarding the outcome of this litigation, management believes that the resolution of this matter will not have a material adverse effect on the Company's financial position and results of operations. Related legal costs are being expensed as incurred.

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, 2011 (the "Form 10-K"), and our quarterly report on Form 10-Q for the quarter ended March 31, 2012, and June 30, 2012 (the "First and Second Quarter Forms 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 and Second Quarter Forms 10-Q. The following discussion and analysis also should be read together with our 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 may 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

Since beginning operations in 2003, we have been 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. Our 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. We plan to provide new performance standards with significant savings of time and cost for professionals in the field of gene expression research and to facilitate biomarker discovery, toxicology and clinical research through the SmartChip products and services.

Our 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 our 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 our revenue growth or cause a sequential decline in quarterly revenue. Due to the possibility of fluctuations in our revenue and net income or loss, we believe that quarterly comparisons of our operating results are not a good indicator of future performance.

Since inception, we have incurred substantial operating losses. As of September 30, 2012, our accumulated deficit was $63,537,140. Losses have principally occurred as a result of the substantial resources required for the research, development and manufacturing scale-up effort required to commercialize our products and services. We expect to continue to incur substantial costs for research and development activities for at least the next year as we enhance our efforts to support our strategy of engaging key opinion leaders in the life science research market to address its rapidly changing needs with our new open format SmartChip products and services.

Results of Operations

The following table presents selected items in the condensed consolidated statements of operations for the three and nine months ended September 30, 2012 and 2011, respectively:

	Three Months Ended September 30, 2012	Three Months Ended September 30, 2011	Nine Months Ended September 30, 2012	Nine Months Ended September 30, 2011
Revenue	$ 176,608	$ 89,088	$ 269,999	$ 485,025
Cost of revenue	144,327	492,246	245,322	647,137
Gross profit	32,281	(403,158)	24,677	(162,112)
Operating expenses:				
Sales and marketing	160,006	913,948	572,837	2,550,107
Research and development	1,311,812	1,900,417	4,929,536	5,980,305
General and administrative	580,952	1,259,211	2,465,222	4,747,992
Total operating expenses	2,052,770	4,073,576	7,967,595	13,278,404
Operating loss	(2,020,489)	(4,476,734)	(7,942,918)	(13,440,516)
Other income and (expenses):				
Interest income	672	6,843	6,231	14,203
Interest expense	(564,009)	(240,143)	(1,379,576)	(3,059,370)
Gain (loss) on revaluation of derivative liabilities, net	(385,209)	8,624,976	2,176,982	7,387,082
Governmental subsidies	168,560	—	168,560	—
Liquidated damages for late S-1 registration	—	(532,161)	—	(532,161)
Miscellaneous income (expense)	(181,247)	214,843	(158,439)	197,593
Total other income and (expenses)	(961,233)	8,074,358	813,758	4,007,347
Net income (loss) before provision for income taxes	(2,981,722)	3,597,624	(7,129,160)	(9,433,169)
Provision for income taxes	(14,142)	16,703	12,745	(713)
Net income (loss)	$ (2,967,580)	$ 3,580,921	$ (7,141,905)	$ (9,432,456)

Revenue

The following table presents our revenue for the three and nine months ended September 30, 2012 and 2011, respectively:

Three Months Ended September 30, 2012	Three Months Ended September 30, 2011	% Change	Nine Months Ended September 30, 2012	Nine Months Ended September 30, 2011	% Change
$ 176,608	$ 89,088	98%	$ 269,999	$ 485,025	(44)%

For the three months ended September 30, 2012, revenue increased by $87,520, or 98%, as compared to the three months ended September 30, 2011. The increase is primarily due to the sale of an open platform Real-Time PCR System, offset by a reduction in sales of Real-Time PCR Chip panels.

For the nine months ended September 30, 2012, revenue decreased by $215,026, or 44%, as compared to the nine months ended September 30, 2011. The decrease is primarily due to a lower sales volume of our Real-Time PCR Chip panels and other services and the reduction in sales price of the SmartChip Real-Time PCR System in 2012 compared to 2011. Future revenue will depend on market acceptance of our new open format SmartChip products which were launched on July 10, 2012.

Cost of Revenue

The following table presents our cost of revenue for the three and nine months ended September 30, 2012 and 2011, respectively:

Three Months Ended September 30,			Nine Months Ended September 30,		
2012	2011	% Change	2012	2011	% Change
$ 144,327	$ 492,246	(71)%	$ 245,322	$ 647,137	(62)%

Cost of revenue 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 September 30, 2012, cost of revenue decreased by $347,919, or 71%, as compared to the three months ended September 30, 2011. The decrease related primarily to the absence of added provisions for excess inventory, offset by the increase in revenue.

For the nine months ended September 30, 2012, cost of revenue decreased by $401,815, or 62%, as compared to the nine months ended September 30, 2011. The decrease related primarily to a reduction in added provisions for excess inventory and the decline in revenue.

Sales and Marketing

The following table presents our sales and marketing expenses for the three and nine months ended September 30, 2012 and 2011, respectively:

Three Months Ended September 30,			Nine Months Ended September 30,		
2012	2011	% Change	2012	2011	% Change
$ 160,006	$ 913,948	(82)%	$ 572,837	$ 2,550,107	(78)%

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

For the three months ended September 30, 2012, sales and marketing expenses decreased by $753,942, or 82%, as compared to the three months ended September 30, 2011. The decrease resulted primarily from decreases in personnel costs due to a reduction in headcount and the scaling back of selling and marketing activities.

For the nine months ended September 30, 2012, sales and marketing expenses decreased by $1,977,270, or 78%, as compared to the nine months ended September 30, 2011. The decrease resulted primarily from decreases in personnel costs due to a reduction in headcount, recruitment costs and the scaling back of selling and marketing activities.

We expect selling expenses will remain at their present levels in the near future as we establish the commercial viability of our high-throughput open format SmartChip products and services through cooperation with key opinion leaders, and subsequently to rise as the number of sales personnel, and their commissions, increase.

Research and Development

The following table presents our research and development expense for the three and nine months ended September 30, 2012 and 2011, respectively:

Three Months Ended September 30,			Nine Months Ended September 30,		
2012	2011	% Change	2012	2011	% Change
$ 1,311,812	$ 1,900,417	(31)%	$ 4,929,536	$ 5,980,305	(18)%

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 September 30, 2012, research and development expenses decreased by $588,605, or 31%, as compared to the three months ended September 30, 2011. The decrease resulted primarily from decreases in employee and consulting costs due to a reduction in headcount and a reduction in the consumption of expensed materials and reagents.

For the nine months ended September 30, 2012, research and development expenses decreased $1,050,769, or 18%, as compared to the nine months ended September 30, 2011. The decrease resulted primarily from decreases in expenditure on consumable materials and reagents and lower consulting costs.

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 for the foreseeable future.

General and Administrative

The following table presents our general and administrative expenses for the three and nine months ended September 30, 2012 and 2011, respectively:

Three Months Ended September 30,			Nine Months Ended September 30,		
2012	2011	% Change	2012	2011	% Change
$ 580,952	$ 1,259,211	(54)%	$ 2,465,222	$ 4,747,992	(48)%

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 September 30, 2012, general and administrative expenses decreased $678,259, or 54%, as compared to the three months ended September 30, 2011. The decrease resulted primarily from decreases in personnel costs, mainly for salaries, and legal, accounting and other professional fees, offset by the absence of a reversal of accrued performance bonuses.

For the nine months ended September 30, 2012, general and administrative expenses decreased $2,282,770, or 48%, as compared to the nine months ended September 30, 2011. The decrease resulted primarily from decreases in personnel costs, mainly for salaries and discretionary bonuses paid to senior management, stock compensation costs, investor relations costs, recruitment costs and legal, accounting and other professional fees, offset by a one-time expense for severance costs related to the termination of our former Chief Operating Officer and Chief Financial Officer.

We expect our general and administrative expenses to remain lower in 2012 due to reduced personnel, consultancy and other outside service costs.

Interest Income

The following table presents our interest income for the three and nine months ended September 30, 2012 and 2011, respectively:

Three Months Ended September 30,			Nine Months Ended September 30,		
2012	2011	% Change	2012	2011	% Change
$ 672	$ 6,843	(90)%	$ 6,231	$ 14,203	(56)%

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

For the three months ended September 30, 2012, interest income decreased by $6,171, or 90%, as compared to the three months ended September 30, 2011. For the nine months ended September 30, 2012, interest income decreased by $7,972, or 56%, as compared to the nine months ended September 30, 2011. The decrease in both periods was mainly due to a decrease in the average cash invested in interest-bearing accounts, along with lower interest rates.

Interest Expense

The following table presents our interest expense for the three and nine months ended September 30, 2012 and 2011, respectively:

Three Months Ended September 30,			Nine Months Ended September 30,		
2012	2011	% Change	2012	2011	% Change
$ 564,009	$ 240,143	135%	$ 1,379,576	$ 3,059,370	(55)%

For the three months ended September 30, 2012, interest expense increased $323,866, or 135%, as compared to the three months ended September 30, 2011. The increase resulted primarily from the effective yield amortization of the debt discount and loan origination fees on convertible promissory notes ("CPNs") in the aggregate principal amount of $15,275,000 issued in May 2011, which weights the interest charges towards the latter stages of their contractual term.

For the nine months ended September 30, 2012, interest expense decreased $1,679,794, or 55%, as compared to the nine months ended September 30, 2011. The decrease was mostly due to the absence of a one-time non-cash interest expense of $2,255,074 related to the CPNs issued in May 2011, and of interest charges related to the term loan of $2,000,000 obtained in December 2010 and repaid in May 2011, which included $222,275 in accelerated deferred financing costs plus $83,585 arising due to early repayment in the nine months ended September 30, 2011 (see Note 4 to the Condensed Consolidated Financial Statements in Part I, Item 1). This decrease was offset by interest of 5% being payable on the CPNs for the whole period in 2012, and the amortization of debt discount and loan origination fees on these CPNs. We expect that the 5% interest on the CPNs, along with the effective yield amortization of debt discount, which weights the interest charges towards the latter stages of their contractual term, will result in interest expense of approximately $2.1 million in 2012, with increased expense in 2013 and 2014.

Gain (Loss) on Revaluation of Derivative Liabilities, Net

The following table represents the gain (loss) on revaluation of our derivative liabilities, net for the three and nine months ended September 30, 2012 and 2011, respectively:

Three Months Ended September 30,			Nine Months Ended September 30,		
2012	**2011**	**% Change**	**2012**	**2011**	**% Change**
$ (385,209)	$ 8,624,976	N/A	$ 2,176,982	$ 7,387,082	(71)%

Our derivative liabilities arise due to the variable number of shares of our common stock that may be issued upon the exercise of those warrants with certain anti-dilution protection, upon the exchange of Series A and Series B convertible preference shares ("CPS") of our Malaysian subsidiary, and under the conversion element of our CPNs.

The net loss from revaluation of derivative liabilities for the three months ended September 30, 2012, was $385,209, compared to a net gain of $8,624,976 for the three months ended September 30, 2011. The net gain from revaluation of derivative liabilities for the nine months ended September 30, 2012, was $2,176,982, compared to $7,387,082 for the nine months ended September 30, 2011. Gains and losses are directly attributable to revaluations of all of our derivatives and (with the exception of Series B CPS) result primarily from a net decrease or increase, respectively, in our stock price in the period. Our closing stock price was $0.08 on September 30, 2012, compared to $0.07 on June 30, 2012, and $0.16 on December 31, 2011, and was $0.30 on September 30, 2011, compared to $0.54 on June 30, 2011, and $1.22 on December 31, 2010. Future gains or losses on revaluation will result primarily from net decreases or increases, respectively, in our stock price during the reporting period. Derivative liabilities will also decrease as the remaining term of each instrument diminishes.

Governmental subsidies

The following table presents the governmental subsidies we recognized in the three and nine months ended September 30, 2012 and 2011, respectively:

Three Months Ended September 30,			Nine Months Ended September 30,		
2012	**2011**	**% Change**	**2012**	**2011**	**% Change**
$ 168,560	$ —	N/A	$ 168,560	$ —	N/A

Governmental subsidies presently represent contributions towards our European activities paid by the Luxembourg government under a new business incentive agreement signed in September 2012 whereby they contribute 50% of eligible expenditures incurred.

Liquidated Damages for Late S-1 Registration

The following table presents the liquidated damages we incurred for the three and nine months ended September 30, 2012 and 2011, respectively, due to the late registration of certain shares issuable in connection with the May 2011 Private Placement:

Three Months Ended September 30,			Nine Months Ended September 30,		
2012	**2011**	**% Change**	**2012**	**2011**	**% Change**
$ —	$ 532,161	N/A	$ —	$ 532,161	N/A

Liquidated damages were incurred as a result of the delayed effectiveness of the Company's registration statement associated with the May 2011 Private Placement. Under the terms of the relevant registration rights agreement, the Company had until October 11, 2011, to have its initial registration statement declared effective by the SEC. The Company exceeded that time frame and was obligated to pay an immediate penalty of 1% of the gross funds received in the May 2011 Private Placement, plus an additional penalty of approximately 0.77% after the declaration of effectiveness on November 4, 2011. No comparable costs are expected in the foreseeable future.

Miscellaneous Income (Expense)

The following table presents miscellaneous income (expense) for the three and nine months ended September 30, 2012 and 2011, respectively:

Three Months Ended September 30,			Nine Months Ended September 30,		
2012	2011	% Change	2012	2011	% Change
$ (181,247)	$ 214,843	N/A	$ (158,439)	$ 197,593	N/A

For the three months ended September 30, 2012, we recorded miscellaneous expense of $181,247, compared to income of $214,843 for the three months ended September 30, 2011. For the nine months ended September 30, 2012, we recorded miscellaneous expense of $158,439, compared to income of $197,593 for the nine months ended September 30, 2011. Miscellaneous income and expense is mainly the result of net foreign currency exchange gains and losses in our Malaysian subsidiary, WaferGen Biosystems (M) Sdn. Bhd. ("WGBM"), principally due to revaluation of the inter-company account at the balance sheet date. WGBM presently has a net receivable on its dollar denominated balances, so if the value of the Malaysian Ringgit decreases against the dollar, income is recorded, whereas if it increases against the dollar, an expense is recorded. In addition, we recorded a one-time gain of $58,575 in the nine months ended September 30, 2011, as the local currency exchange rate for the Series C CPS received from MTDC in March 2011 (see Note 5 to the Condensed Consolidated Financial Statements in Part I, Item 1) had been previously fixed.

Provision for income taxes

The following table presents our provision for income taxes for the three and nine months ended September 30, 2012 and 2011, respectively:

Three Months Ended September 30,			Nine Months Ended September 30,		
2012	2011	% Change	2012	2011	% Change
$ (14,142)	$ 16,703	N/A	$ 12,745	$ (713)	N/A

For the three and nine months ended September 30, 2012, we recorded a credit of $14,142 and a charge of $12,745, respectively, for income taxes, being an interim estimate of Malaysian taxes payable on interest income, mostly arising on WGBM's loan to WaferGen Bio-systems, Inc., reduced by an overprovision for such taxes in 2011, plus U.S. state taxes. For the three and nine months ended September 30, 2011, we recorded a charge of $16,703 and credit of $713, respectively, for income taxes, being a charge for an interim estimate of Malaysian taxes payable on interest income, mostly arising on WGBM's loan to WaferGen Bio-systems, Inc., offset by an allocation of U.S. taxes to the cumulative translation adjustment recorded in other comprehensive income. The Company has provided a full valuation allowance against its net deferred tax assets.

Headcount

Our consolidated headcount as of November 7, 2012, comprised 31 regular employees, 30 of whom were employed full-time, compared to 54 regular employees as of December 31, 2011, 52 of whom were employed full-time.

Liquidity and Capital Resources

From inception through September 30, 2012, the Company has 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, $31,226,191, net of offering costs, from the sale of common stock and warrants, $8,842,256, net of offering costs, from the sale of CPS of our Malaysian subsidiary, $1,842,760, net of origination fees, from a secured term loan, and $27,492,876, net of offering costs and liquidated damages for late registration, from the sale of the Series A-1 Convertible Preferred Stock, CPNs and warrants in the May 2011 Private Placement. As of September 30, 2012, the Company had $7,614,885 in unrestricted cash and cash equivalents, and working capital of $7,154,170.

Net Cash Used in Operating Activities

The Company experienced negative cash flow from operating activities for the nine months ended September 30, 2012 and 2011, in the amounts of $7,639,383 and $12,354,821, respectively. The cash used in operating activities in the nine months ended September 30, 2012, was due to cash used to fund a net loss of $7,141,905, adjusted for non-cash expenses related to depreciation and amortization, stock-based compensation, net gains on revaluation of derivative liabilities, interest converted to principal on CPNs, inventory provision and amortization of debt discount totaling $180,092, and cash used by a change in working capital of $677,570. The cash used in operating activities in the nine months ended September 30, 2011, was due to cash used to fund a net loss of $9,432,456, adjusted for non-cash expenses related to depreciation and amortization, stock-based compensation, exchange gain on issuance of CPS of subsidiary, net gains on revaluation of derivative liabilities, excess debt discount expensed as interest, interest converted to principal on CPNs, allowance for doubtful accounts, inventory provision and amortization of debt discount totaling $3,116,986, and cash provided by a change in working capital of $194,621. The decrease in cash used in the nine months ended September 30, 2012, compared to 2011, was driven primarily by the decrease in the net operating loss from $13,440,516 to $7,942,918, offset by the cash used in, and lack of cash provided by, the change in working capital and by a reduction in non-cash operating expenses, most notably stock compensation expense.

Net Cash Used in Investing Activities

The Company used $41,262 in the nine months ended September 30, 2012, and $663,862 in the nine months ended September 30, 2011, to acquire property and equipment.

Net Cash Provided by Financing Activities

There were no financing activities in the nine months ended September 30, 2012.

Cash provided by financing activities in the nine months ended September 30, 2011, was $30,861,298. The Company’s Malaysian subsidiary received $5,052,303, including an exchange gain and net of issuance costs, in exchange for the issuance of 3,233,734 Series C CPS, and the Company received $28,025,037, net of issuance costs, from issuance of Series A-1 preferred stock, CPNs and warrants and $9,200 from the exercise of stock options. This was offset by payments of $8,852 on capital lease obligations, $37,805 in income taxes for restricted stock forfeited and $2,178,585 to extinguish all liabilities under a term loan.

Availability of Additional Funds

We believe funds available at September 30, 2012, along with our revenue, will fund our operations at least into the third quarter of 2013. We expect we will need to raise further capital, through the entry into a debt facility, the sale of additional securities or otherwise, to support our 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 no material commitments for capital expenditure. Our future capital requirements and the adequacy of our available funds will depend on many factors, most notably our ability to successfully commercialize our new high-throughput open platform SmartChip products and services.

While we believe we have sufficient cash to fund our operating, investing and financing activities in the near term, we expect that additional capital will be needed to sustain our operations in the medium term and, in the longer term, to repay our outstanding CPNs which, with accrued interest, could amount to approximately $18.2 million on November 27, 2014, their maturity date. We may be unable to raise sufficient additional capital when we need it on favorable terms, or at all. The conversion of our CPNs and CPS of our Malaysian 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 needed capital we may not be able to continue our efforts to develop and commercialize our SmartChip products and services and may be forced to significantly curtail or suspend our operations.

Principles of Consolidation

The consolidated financial statements of WaferGen Bio-systems, Inc. include the accounts of Wafergen, Inc., WGBM, our Malaysian subsidiary, and WaferGen Biosystems Europe S.a.r.l., our Luxembourg subsidiary. All significant inter-company transactions and balances are eliminated in consolidation.

Critical Accounting Policies and Estimates

Deferred Tax Valuation Allowance

We believe substantial uncertainties exist regarding the future realization of deferred tax assets, and, accordingly, a full valuation allowance is required, amounting to approximately $24,700,000 at December 31, 2011. 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 on a regular basis, which includes, among other factors, a review of projected demand requirements, product pricing, product expiration and product lifecycle. As a result of this assessment, we record provisions for potentially excess, obsolete or impaired goods, when appropriate, in order to reduce the reported amount of inventory to its net realizable value. 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 with respect to options were $277,761 and $362,354, net of estimated forfeitures, for the nine months ended September 30, 2012 and 2011, respectively. These sums exclude the compensation expense for restricted stock awards, for which the fair value is based on our closing stock price on the grant date for directors and employees, and on the dates on which performance of services is recognized for consultants.

The weighted-average grant date fair value of options awarded in the nine months ended September 30, 2012 and 2011, was $0.08 and $0.29, respectively. Fair values were estimated using the following assumptions:

	Nine Months Ended September 30,	
	2012	2011
Risk-free interest rate	0.71% - 1.14%	0.79% - 2.24%
Expected term	4.75 Years	4.75 Years
Expected volatility	65.02% - 98.80%	42.44% - 66.83%
Dividend yield	0%	0%

Risk-Free Interest Rate. This is the U.S. 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 our common stock price has fluctuated or is expected to fluctuate. To the extent that our common stock has not been traded for as long as the expected remaining term of the options, we use a weighted-average of the historic volatility of a group of publicly traded companies over the retrospective period corresponding to the expected remaining term of the options on the measurement date. The group of publicly traded companies is selected from the same industry or market index, with extra weighting attached to those companies most similar in terms of business activity, size and financial leverage. To the extent that our common stock has been traded for longer than the expected remaining term of the options, this weighted average is used to determine 50% of the volatility, with our own historic volatility used to determine the remaining 50%. An increase in the expected volatility will increase the fair value and the related compensation expense.

Dividend Yield. We have not made any dividend payments and do not plan 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.

Derivative Liabilities

Our derivative liabilities arise due to the variable number of shares of our common stock that may be issued upon the exercise of those warrants with certain anti-dilution protection, upon the exchange of Series A and Series B CPS of our Malaysian subsidiary, and under the conversion element of our CPNs. We evaluate the liability for all of our derivatives using a Monte Carlo Simulation approach, using critical assumptions provided by management reflecting conditions at the valuation dates.

The fair value of the derivative liability for the conversion element of CPNs at September 30, 2012, included assumptions of the fair value of common stock of $0.08, estimated volatility of 126.57%, a risk-free interest rate of 0.16%, a zero dividend rate and a contractual term of 2.16 years, and was estimated to be $458,310. The fair value of this derivative liability at June 30, 2012, included assumptions of the fair value of common stock of $0.07, estimated volatility of 112.40%, a risk-free interest rate of 0.23%, a zero dividend rate and a contractual term of 2.41 years, and was estimated to be $401,921. The fair value of this derivative liability at December 31, 2011, included assumptions of the fair value of common stock of $0.16, estimated volatility of 82.82%, a risk-free interest rate of 0.18%, a zero dividend rate and a contractual term of 2.91 years, and was estimated to be $1,931,295. The fair value of this derivative liability at September 30, 2011, included assumptions of the fair value of common stock of $0.30, estimated volatility of 71.79%, a risk-free interest rate of 0.22%, a zero dividend rate and a contractual term of 3.16 years, and was estimated to be $5,009,088. The fair value of this derivative liability at June 30, 2011, when the CPNs contained a feature that adjusted the number of shares issuable to investors in the event the Company requested conversion of the CPNs in certain circumstances (such feature was eliminated on September 30, 2011), included assumptions of the fair value of common stock of $0.54, estimated volatility of 62.00%, a risk-free interest rate of 0.22%, a zero dividend rate and a contractual term of 3.41 years, and was estimated to be $13,108,276. The fair value of this derivative liability when the notes were issued on May 27, 2011, included assumptions of the fair value of common stock of $0.68, estimated volatility of 64.31%, a risk-free interest rate of 0.21%, a zero dividend rate and a contractual term of 3.50 years, and was estimated to be $11,495,163.

The fair value of the derivative liability for warrants at September 30, 2012, included assumptions of the fair value of common stock of $0.08, estimated volatilities of 106.78% to 122.48%, risk-free interest rates of 0.15% to 0.22%, a zero dividend rate and expected remaining terms of 0.64 to 1.79 years; the total fair value was estimated to be $433,829. The fair value of this derivative liability at June 30, 2012, included assumptions of the fair value of common stock of $0.07, estimated volatilities of 96.38% to 118.21%, risk-free interest rates of 0.20% to 0.33%, a zero dividend rate and expected remaining terms of 0.89 to 1.99 years; the total fair value was estimated to be $329,414. The fair value of this derivative liability at December 31, 2011, included assumptions of the fair value of common stock of $0.16, estimated volatilities of 80.66% to 85.13%, risk-free interest rates of 0.16% to 0.32%, a zero dividend rate and expected remaining terms of 1.25 to 2.39 years; the total fair value was estimated to be $655,219. The fair value of this derivative liability at September 30, 2011, included assumptions of the fair value of common stock of $0.30, estimated volatilities of 72.46% to 78.69%, risk-free interest rates of 0.19% to 0.39%, a zero dividend rate and expected remaining terms of 1.50 to 2.59 years; the total fair value was estimated to be $561,456. The fair value of this derivative liability at June 30, 2011, included assumptions of the fair value of common stock of $0.54, estimated volatilities of 63.87% to 90.56%, risk-free interest rates of 0.35% to 0.80%, a zero dividend rate and expected remaining terms of 1.51 to 2.79 years; the total fair value was estimated to be $1,625,552. The fair value of this derivative liability at December 31, 2010, included assumptions of the fair value of common stock of $1.22, estimated volatilities of 67.61% to 86.53%, risk-free interest rates of 0.57% to 1.15%, a zero dividend rate and expected remaining terms of 1.91 to 3.18 years; the total fair value was estimated to be $2,240,962.

The fair value of the derivative liability for the conversion element of Series B CPS of our Malaysian subsidiary at September 30, 2012, included assumptions of the fair value of common stock of $0.08, estimated volatility of 119.55%, a risk-free interest rate of 0.18%, a zero dividend rate and an expected remaining term (following lapse of the redemption option) of 1.21 years, and was estimated to be $1,334,545. The fair value of this derivative liability at June 30, 2012, included assumptions of the fair value of common stock of $0.07, estimated volatility of 106.00%, a risk-free interest rate of 0.26%, a zero dividend rate and an expected remaining term (following lapse of the redemption option) of 1.41 years, and was estimated to be $1,327,769. The fair value of this derivative liability at

December 31, 2011, included assumptions of the fair value of common stock of $0.16, estimated volatility of 81.69%, a risk-free interest rate of 0.28%, a zero dividend rate and an expected remaining term (following lapse of the redemption option) of 1.81 years, and was estimated to be $1,245,101. The fair value of this derivative liability at September 30, 2011, included assumptions of the fair value of common stock of $0.30, estimated volatility of 82.23%, a risk-free interest rate of 0.02%, a zero dividend rate and an expected remaining term (prior to lapse of the redemption option) of 0.2 years, was estimated to be $82,861. The fair value of this derivative liability at June 30, 2011, included assumptions of the fair value of common stock of $0.54, estimated volatility of 52.87%, a risk-free interest rate of 0.01%, a zero dividend rate and an expected remaining term (prior to lapse of the redemption option) of one day, was estimated to be $118,476. The fair value of this derivative liability at December 31, 2010, included assumptions of the fair value of common stock of $1.22, estimated volatility of 55.40%, a risk-free interest rate of 0.07%, a zero dividend rate and an expected remaining term (prior to lapse of the redemption option) of one day, and was estimated to be $194,088.

The fair value of the derivative liability for Series A CPS of our Malaysian subsidiary at September 30, 2012, included assumptions of the fair value of common stock of $0.08, estimated volatilities of 120.84% to 125.60%, risk-free interest rate of 0.16% to 0.18%, a zero dividend rate and expected remaining terms of 0.80 to 1.16 years; the total fair value was estimated to be $1,563,664. The fair value of this derivative liability at June 30, 2012, included assumptions of the fair value of common stock of $0.07, estimated volatilities of 105.96% to 114.25%, risk-free interest rate of 0.22% to 0.26%, a zero dividend rate and expected remaining terms of 1.05 to 1.41 years; the total fair value was estimated to be $1,346,035. The fair value of this derivative liability at December 31, 2011, included assumptions of the fair value of common stock of $0.16, estimated volatilities of 81.15% to 82.83%, risk-free interest rate of 0.28%, a zero dividend rate and expected remaining terms of 1.55 to 1.90 years; the total fair value was estimated to be $2,135,715. The fair value of this derivative liability at December 9, 2011, when terms were amended giving rise to the derivative liability, included assumptions of the fair value of common stock of $0.16, estimated volatilities of 78.02% to 80.22%, risk-free interest rates of 0.27%, a zero dividend rate and expected remaining terms of 1.61 to 1.96 years; the total fair value was estimated to be $2,198,828.

Risk-Free Interest Rate. This is the U.S. Treasury rate for the measurement date having a term equal to the weighted average expected remaining term of the instrument. 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 instrument is expected to remain outstanding and is based on management's estimate, taking into consideration the remaining contractual life, and historical experience. For our CPNs, we consider a blend of expected remaining terms prior to partial conversion into the Company's Series A-2 Convertible Preferred Stock, giving consideration to the likelihood of conversion under various scenarios, and a further blend of expected remaining terms prior to partial conversion into common stock, all based on management's projections of when such conversions would occur within the contractual term. 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 our common stock price has fluctuated or is expected to fluctuate. To the extent that our common stock has not been traded for as long as the expected remaining term of the instrument, we use a weighted-average of the historic volatility of a group of publicly traded companies over the retrospective period corresponding to the expected remaining term of the instrument on the measurement date. The group of publicly traded companies is selected from the same industry or market index, with extra weighting attached to those companies most similar in terms of business activity, size and financial leverage. To the extent that our common stock has been traded for longer than the expected remaining term of the instrument, this weighted average is used to determine 50% of the volatility, with our own historic volatility used to determine the remaining 50%. An increase in the expected volatility will increase the fair value and the associated derivative liability.

Dividend Yield. We have not made any dividend payments and do not plan to pay dividends in the foreseeable future. An increase in the dividend yield will decrease 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 a new accounting standard in the first quarter of 2012, which did not 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 Securities and Exchange Act of 1934 (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 weakness in internal control over financial reporting described below, our principal executive officer and principal financial officer concluded that, as of September 30, 2012, the Company's disclosure controls and procedures were not effective.

We identified the following material weakness in our internal controls over financial reporting as of September 30, 2012:

> We have not adequately divided, or compensated for, incompatible functions among personnel to reduce the risk that a potential material misstatement of the financial statements would occur without being prevented or detected.

The material weakness described above was previously identified in Item 9A in our Report on Form 10-K for the year ended December 31, 2011.

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 September 30, 2012, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II OTHER INFORMATION

Item 1. Legal Proceedings

From time to time we may be involved in claims arising in connection with our business. Based on information currently available, we believe that the amount, or range, of reasonably possible losses in connection with any pending actions against us, 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.

Coalesce v. WaferGen. On April 24, 2012, an action entitled Coalesce Corporation ("Coalesce") v. WaferGen Bio-systems, Inc. was filed in the Alameda County Superior Court. Coalesce, a company that had been providing marketing services between 2006 and 2010, sued us for alleged non-payment of sums due, breach of contract, misrepresentation and unjust enrichment. On September 5, 2012, Coalesce filed an amended complaint, with additional claims, for compensatory damages in excess of $500,000 and other compensation. On October 30, 2012, we filed a notice of demurrer to Coalesce's complaint seeking to dismiss the complaint in its entirety. We believe the claim to be substantially without merit, and while no assurance can be given regarding the outcome of this litigation, we believe that the resolution of this matter will not have a material adverse effect on our financial position or results of operations.

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, 2011.

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

None.

Item 6. Exhibits

Exhibit Number	Description
10.1*	Amendment dated as of June 26, 2012, to Lease Agreement by and between WaferGen, Inc. and LBA Realty Fund III-Company VII, LLC dated October 22, 2009
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 (*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.)*
32.2*	Section 1350 Certification of principal financial officer (*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.)*
101 §	The following financial information from the Company's Quarterly Report on Form 10-Q for the period ended September 30, 2012, formatted in Extensible Business Reporting Language (XBRL): (i) the Condensed Consolidated Balance Sheets at September 30, 2012 and December 31, 2011, (ii) the Condensed Consolidated Statements of Operations for the three and nine months ended September 30, 2012 and 2011, (iii) the Condensed Consolidated Statements of Comprehensive Income (Loss) for the three and nine months ended September 30, 2012 and 2011, (iv) the Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2012 and 2011, and (v) Notes to the Condensed Consolidated Financial Statements.

____

* Filed/furnished herewith

§ Pursuant to Rule 406T of Regulation S-T, the XBRL related information in Exhibit 101 to this Quarterly Report on Form 10-Q shall not be deemed to be "filed" for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section, and shall not be deemed part of a registration statement, prospectus or other document filed under the Securities Act or the Exchange Act, except as shall be expressly set forth by specific reference in such filings.

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: November 9, 2012

By: /s/ IVAN TRIFUNOVICH
Ivan Trifunovich
Chief Executive Officer
(principal executive officer)

EXHIBIT INDEX

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§ Pursuant to Rule 406T of Regulation S-T, the XBRL related information in Exhibit 101 to this Quarterly Report on Form 10-Q shall not be deemed to be "filed" for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section, and shall not be deemed part of a registration statement, prospectus or other document filed under the Securities Act or the Exchange Act, except as shall be expressly set forth by specific reference in such filings.

EXHIBIT 10.1

SECOND AMENDMENT TO MULTI-TENANT LEASE

This SECOND AMENDMENT TO MULTI-TENANT LEASE (“Amendment”) dated for reference purposes only as of June 26, 2012 (the “Effective Date”), is entered into by and between LBA REALTY FUND III-COMPANY VII, LLC, a Delaware limited liability company (“Landlord”), and WAFERGEN, INC., a Delaware corporation (“Tenant”).

R E C I T A L S:

A. Landlord and Tenant are parties to that certain Multi-Tenant Lease dated October 22, 2009 (the “Original Lease”), by and between Landlord, as landlord, and Tenant, as tenant, as amended by that certain First Amendment to Multi-Tenant Office Lease dated November 12, 2010 (the “First Amendment”), by and between Landlord, as landlord, and Tenant, as tenant. Pursuant to the Lease, Tenant leases from Landlord those certain premises commonly known as Suite 150 containing 19,186 rentable square feet (the “Original Premises”), within that certain building commonly known as 34781 Campus Drive, Fremont, California 94555 (the “Building”), as more particularly described in the Lease. Tenant has terminated the Lease with respect to that certain space consisting of 2,708 rentable square feet, as further described and defined in the First Amendment as the “Expansion Space,” effective March 31, 2012, by providing Landlord written notice thereof in accordance with the terms of the First Amendment.

B. Subject to the terms and conditions of this Amendment, Landlord has agreed to conditionally defer a portion of the Monthly Base Rent payable by Tenant for the months of June, 2012 through May, 2013 in the aggregate amount of Two Hundred Sixty-Two Thousand Two Hundred Eight and 67/100ths Dollars ($262,208.67), subject to the terms and conditions set forth below.

C. In addition, Tenant desires to surrender to Landlord a portion of Suite 150, consisting of approximately 8,012 rentable square feet (the "Reduction Space"), as depicted on Exhibit A attached hereto and incorporated herein by this reference, and the Original Premises, less the Reduction Space, is referred to hereafter as the "Retained Premises".

D. Landlord and Tenant desire to amend the terms of the Lease to provide for (i) the conditional deferral of payment of the Monthly Base Rent, (ii) the reduction of the Premises, and (ii) such other changes to the Lease as are hereinafter set forth.

E. Capitalized terms which are used in this Amendment without definition have the meanings given to them in the Lease.

A G R E E M E N T:

NOW, THEREFORE, in consideration of the foregoing Recitals, the mutual covenants and agreements contained in this Amendment, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Landlord and Tenant hereby agree as follows:

1. **Repayment of Deferred Amount.**

a. Deferral. Provided Tenant is not in default under the Lease as amended by this Amendment (the "Amended Lease") beyond any applicable notice and cure period, a portion of the Monthly Base Rent payable by Tenant for the months of June, 2012 through May, 2013 (the "Deferral Period") in the aggregate amount of Two Hundred Sixty-Two Thousand Two Hundred Eight and 67/100ths Dollars ($262,208.67) (the "Deferred Amount") shall be conditionally deferred in accordance with the following schedule:

Period	Deferred Monthly Base Rent	Balance of Monthly Base Rent to be Paid by Tenant
6/1/12 – 10/31/12	$24,302.27	$12,151.13
11/1/12 – 11/30/12	$25,581.33	$12,790.67
12/1/12 – 5/31/13	$19,186.00	$19,186.00

Notwithstanding the foregoing, Tenant shall still be responsible for the timely payment of all other monetary obligations under the Amended Lease for the Deferral Period, including, without limitation, payment of the balance of Monthly Base Rent and Tenant's Percentage of Operating Expenses due throughout the Deferral Period, without abatement, deferral or reduction.

b. Repayment. Tenant shall repay the aggregate Deferred Amount (including interest thereon at eight percent [8%] per annum) in equal monthly payments of $12,334.62 per month ("Deferred Monthly Payments") as Additional Rent concurrently with each payment of Monthly Base Rent commencing on June 1, 2013 until the aggregate Deferred Amount has been paid in full (i.e., through April, 2015 [the "Repayment Period"]). Tenant acknowledges that any default by Tenant under the Amended Lease including, without limitation, default in repayment of any Deferred Monthly Payments, will cause Landlord to incur costs not contemplated hereunder, the exact amount of such costs being extremely difficult and impracticable to ascertain, therefore, should Tenant be in default under the Amended Lease, after having been given notice and opportunity to cure, then the total value of the then unpaid sum of the Deferred Amount plus interest thereon, shall become immediately due and payable by Tenant to Landlord; provided, however, Tenant acknowledges and agrees that nothing in this subparagraph is intended to limit any other remedies available to Landlord at law or in equity under applicable law, in the event Tenant defaults under the Amended Lease beyond any applicable notice and cure period. Commencing on June 1, 2013, the aggregate Monthly Base Rent and Deferred Monthly Payments payable by Tenant shall be as follows:

Period	Monthly Base Rent and Deferred Monthly Payments
6/1/13 – 10/31/13	$50,706.62
11/1/13 – 10/31/14	$52,625.22
11/1/14 – 4/30/15	$54,543.82

2. **Security Deposit**. No additional security deposit shall be required in connection with this Amendment. Accordingly, Landlord shall continue to hold, pursuant to the terms of the Lease, the existing Security Deposit in the amount of $42,209.20.

3. **Surrender of Reduction Space**. Tenant shall vacate the entire Reduction Space no later than 11:59 p.m. on the date (the "Reduction Date") that is the earlier to occur of: (i) ten (10) days prior to the commencement date of any new lease or sublease of any portion of the Reduction Space, or (ii) thirty (30) days after written notice from Landlord to Tenant, regardless of whether the Reduction Space will be leased or subleased. Tenant shall fully comply with all obligations under the Lease respecting the Reduction Space up to the Reduction Date, including those provisions relating to the condition of the Reduction Space, surrender of the Reduction Space under Article 21 of the Lease, and removal of Tenant's personal property from the Reduction Space. Tenant hereby agrees to use commercially reasonable efforts to lease and/or sublease the Reduction Space. From and after the Reduction Date, the Reduction Space shall be deemed surrendered by Tenant to Landlord, Tenant shall have no further rights to occupy the Reduction Space, the Lease as amended hereby (the "Amended Lease") shall be deemed terminated with respect to the Reduction Space (except as to those provisions which survive the termination of the Lease), and the "Premises", as defined in the Lease, shall be deemed to mean the Retained Premises, and shall contain approximately 11,174 rentable square feet in the aggregate. Monthly Base Rent and Tenant's Proportionate Share shall be adjusted accordingly.

4. **Landlord's Termination Option**. Landlord shall have the option to terminate and cancel the Amended Lease ("Landlord's Termination Option") by delivering to Tenant written notice of Landlord's exercise of Landlord's Termination Option (the "Termination Notice"). The Amended Lease shall terminate effective as of the date that is sixty (60) days after Landlord's delivery to Tenant of the Termination Notice (the "Termination Date"), and Tenant shall surrender the Retained Premises to Landlord on or before the Termination Date in accordance with Article 21 of the Lease. If Landlord exercises Landlord's Termination Option, and Tenant timely and properly surrenders the Retained Premises to Landlord on or before the Termination Date, Tenant shall not be obligated to pay the monthly installments of Monthly Base Rent and Deferred Monthly Payments that are due after the Termination Date.

5. **Confidentiality**. Tenant agrees that the terms and conditions of this Amendment are confidential as between Landlord and Tenant and neither Tenant nor its agents or employees nor any other parties acting on behalf of Tenant shall disclose any matters set forth in this Amendment or disseminate or distribute any information concerning the terms, details or conditions of this Amendment to any person, firm or entity including, without limitation, other

tenants and occupants of the Building or the Property, without obtaining the express written consent of Landlord. Notwithstanding anything to the contrary contained in the Lease, in the event of any violation of the terms of this Section 5, then Landlord shall have the option to either: (a) declare this Amendment void and of no further force or effect, in which case the terms of the Lease as unmodified by this Amendment shall be immediately and retroactively in effect and Tenant shall immediately pay to Landlord all sums which would have been previously due pursuant to the terms of the Lease but for this Amendment, or (b) collect from Tenant the sum of $25,000.00 as liquidated damages, which sum shall be payable within ten (10) days of written demand by Landlord; provided, however, the foregoing shall not in any way limit Landlord's rights, remedies or damages as a result of Tenant's breach of any other term or condition of this Amendment or the Lease.

6. **Miscellaneous**.

a. Broker. Landlord and Tenant each represent and warrant to the other that it is not aware of any brokers, agents or finders who may claim a fee or commission in connection with the consummation of the transactions contemplated by this Amendment. If any claims for brokers' or finders' fees in connection with the transactions contemplated by this Amendment arise, then Tenant agrees to indemnify, protect, hold harmless and defend Landlord (with counsel reasonably satisfactory to Landlord) from and against any such claims if they shall be based upon any statement, representation or agreement made by Tenant.

b. Representations and Warranties. Tenant hereby represents, warrants, and agrees that: (1) there exists no breach, default, or event of default by Landlord under the Lease, or any event or condition which, with notice or passage of time or both, would constitute a breach, default, or event of default by Landlord under the Lease; (2) the Lease continues to be a legal, valid, and binding agreement and obligation of Tenant; and (3) Tenant has no current offset or defense to its performance or obligations under the Lease. Tenant hereby waives and releases all demands, charges, claims, accounts, or causes of action of any nature whatsoever against Landlord or Landlord's members, officers, employees or agents, including without limitation, both known and unknown demands, charges, claims, accounts, and causes of action that have previously arisen out of or in connection with the Lease.

c. Authority. Each signatory of this Amendment on behalf of Tenant represents hereby that he or she has the authority to execute and deliver the same on behalf of the party hereto for which such signatory is acting.

d. No Other Modification. Landlord and Tenant agree that except as otherwise specifically modified in this Amendment, the Lease has not been modified, supplemented, amended, or otherwise changed in any way and the Lease remains in full force and effect between the parties hereto as modified by this Amendment. To the extent of any inconsistency between the terms and conditions of the Lease and the terms and conditions of this Amendment, the terms and conditions of this Amendment shall apply and govern the parties. This Amendment may be executed in counterparts, each of which shall be deemed an original, but all of which, together, shall constitute one and the same Amendment.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, Landlord and Tenant have executed this Amendment as of the date first written above.

Tenant:

WAFERGEN, INC.,
a Delaware corporation

By: /s/ IVAN TRIFUNOVICH
Name: Ivan Trifunovich
Title: President and CEO

[SIGNATURES CONTINUED ON FOLLOWING PAGE]

Landlord:

LBA REALTY FUND III-COMPANY VII, LLC,
a Delaware limited liability company

By: LBA Realty Fund III, L.P.,
a Delaware limited partnership,
its sole Member and Manager

By: LBA Management Company III, LLC,
a Delaware limited liability company,
its General Partner

By: LBA Realty LLC,
a Delaware limited liability company,
its Manager

By: LBA Inc.,
a California corporation,
its Managing Member

By: /s/ BRAD NEGLIA
Name: Brad Neglia
Title: Authorized Signatory

For LBA Office Use Only: Prepared & Reviewed by: ______________________________

EXHIBIT 31.1

CERTIFICATION

I, Ivan Trifunovich, 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: November 9, 2012

/s/ IVAN TRIFUNOVICH
Ivan Trifunovich
Chief Executive Officer
(principal executive officer)

EXHIBIT 31.2

CERTIFICATION

I, John Harland, 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: November 9, 2012

/s/ JOHN HARLAND
John Harland
Chief Financial Officer
(principal financial officer)

EXHIBIT 32.1

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, Ivan Trifunovich, certify that:

1. The Quarterly Report of WaferGen Bio-systems, Inc. (the “Company”) on Form 10-Q for the quarter ended September 30, 2012 (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: November 9, 2012

/s/ IVAN TRIFUNOVICH
Ivan Trifunovich
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.

EXHIBIT 32.2

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, John Harland, certify that:

1. The Quarterly Report of WaferGen Bio-systems, Inc. (the “Company”) on Form 10-Q for the quarter ended September 30, 2012 (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: November 9, 2012

/s/ JOHN HARLAND
John Harland
Chief Financial Officer
(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.