BioRestorative Therapies, Inc.
Form 10-Q
November 19, 2013

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

FORM 10-Q

(Mark One)

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

For the Quarterly Period Ended September 30, 2013

¨ **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: 000-54402

BIORESTORATIVE THERAPIES, INC.

(Exact name of registrant as specified in its charter)

Nevada	**91-1835664**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
555 Heritage Drive Jupiter, Florida	**33458**
(Address of Principal Executive Offices)	(Zip Code)

Registrant's telephone number, including area code: (561) 904-6070

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 x 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 (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x 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 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	x

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act): Yes ¨ No x

As of November 14, 2013, there were 17,159,778 shares of the issuer’s common stock outstanding.

BIORESTORATIVE THERAPIES, INC. & SUBSIDIARIES
(A COMPANY IN THE DEVELOPMENT STAGE)

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BIORESTORATIVE THERAPIES, INC. & SUBSIDIARIES
(A COMPANY IN THE DEVELOPMENT STAGE)

Condensed Consolidated Balance Sheets

	September 30, 2013 (unaudited)		December 31, 2012	
Assets				
Current Assets:				
Cash	$	642	$	363
Inventories		17,965		12,484
Prepaid expenses and other current assets		47,706		18,433
Total Current Assets		66,313		31,280
Property and equipment, net		32,703		59,407
Intangible assets, net		1,124,997		1,177,357
Total Assets	$	1,224,013	$	1,268,044
Liabilities and Stockholders' Deficiency				
Current Liabilities:				
Accounts payable	$	1,156,272	$	771,429
Accrued expenses and other current liabilities		1,736,138		1,082,842
Current portion of notes payable, net of debt discount of $340,353 and $42,000 at September 30, 2013 and December 31, 2012, respectively		4,965,647		961,685
Total Current Liabilities		7,858,057		2,815,956
Notes payable, non-current portion, net of debt discount of $0 and $34,719 at September 30, 2013 and December 31, 2012, respectively		-		3,593,781
Total Liabilities		7,858,057		6,409,737
Commitments and contingencies				
Stockholders' Deficiency:				
Preferred stock, $0.01 par value; Authorized, 1,000,000 shares; none issued and outstanding at September 30, 2013 and December 31, 2012		-		-
Common stock, $0.001 par value; Authorized, 100,000,000 shares; Issued 17,668,399 and 15,443,484 shares at September 30, 2013 and December 31, 2012, respectively; Outstanding 17,109,778 and 14,884,863 shares at September 30, 2013 and December 31, 2012, respectively;		17,668		15,443
Additional paid-in capital		11,561,709		8,936,084
Deficit accumulated during development stage		(18,181,421)		(14,061,220)

Treasury stock, at cost, 558,621 shares at September 30, 2013 and December 31, 2012		(32,000)		(32,000)
Total Stockholders' Deficiency		(6,634,044)		(5,141,693)
Total Liabilities and Stockholders' Deficiency	$	1,224,013	$	1,268,044

See Notes to these Condensed Consolidated Financial Statements

BIORESTORATIVE THERAPIES, INC. & SUBSIDIARIES
(A COMPANY IN THE DEVELOPMENT STAGE)

Condensed Consolidated Statements of Operations

(unaudited)

	For The Three Months Ended September 30, 2013	2012	For The Nine Months Ended September 30, 2013	2012	Period From December 30, 2008 (Inception) to September 30, 2013
Revenues	$ 125	$ 5,225	$ 1,680	$ 15,225	$ 17,269
Cost of goods sold	10	1,270	208	1,270	1,515
Gross Profit	115	3,955	1,472	13,955	15,754
Operating Expenses					
Marketing and promotion	17,391	15,012	82,983	85,608	522,781
Consulting	182,899	392,352	553,404	1,214,584	4,506,880
Research and development	414,918	275,315	1,188,276	448,364	2,144,673
General and administrative	513,909	526,458	1,719,270	2,134,006	8,741,506
Total Operating Expenses	1,129,117	1,209,137	3,543,933	3,882,562	15,915,840
Loss From Operations	(1,129,002)	(1,205,182)	(3,542,461)	(3,868,607)	(15,900,086)
Other Income (Expense)					
Other income	-	-	-	-	11,457
Interest expense	(56,036)	(172,411)	(285,939)	(463,569)	(1,166,250)
Amortization of debt discount	(117,970)	(99,501)	(284,601)	(254,888)	(1,170,493)
Loss on extinguishment of notes payable	-	-	(7,200)	(53,640)	(76,908)
Gain on settlement of note and payables, net	-	-	-	23,077	110,495
Total Other Expense	(174,006)	(271,912)	(577,740)	(749,020)	(2,291,699)
Net Loss	$ (1,303,008)	$ (1,477,094)	$ (4,120,201)	$ (4,617,627)	$ (18,191,785)
Net Loss Per Share - Basic and Diluted	$ (0.08)	$ (0.11)	$ (0.25)	$ (0.36)	
Weighted Average Number of Common Shares Outstanding - Basic and Diluted	16,937,376	13,653,328	16,255,317	12,798,547	

See Notes to these Condensed Consolidated Financial Statements

BIORESTORATIVE THERAPIES, INC. & SUBSIDIARIES
(A COMPANY IN THE DEVELOPMENT STAGE)

Condensed Consolidated Statement of Changes in Stockholders' Deficiency
For the Nine Months Ended September 30, 2013

(unaudited)

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Deficit Accumulated During Development Stage	Treasury Stock Shares	Treasury Stock Amount	Total
Balance - December 31, 2012	15,443,484	$ 15,443	$ 8,936,084	$ (14,061,220)	(558,621)	$ (32,000)	$ (5,141,693)
Shares and warrants issued for cash - (at $1.50)	50,000	50	74,950	-	-	-	75,000
Shares and warrants issued for cash - (at $1.25)	200,000	200	249,800	-	-	-	250,000
Shares and warrants issued for cash - (at $1.00)	520,000	520	519,480	-	-	-	520,000
Shares and warrants issued for cash - (at $0.85)	70,589	71	59,929	-	-	-	60,000
Shares (at $0.71) and warrants issued as debt discount in connection with notes payable	338,750	339	547,896	-	-	-	548,235
Shares issued in satisfaction of accrued interest - (at $0.80)	266,250	266	212,734	-	-	-	213,000
Shares issued for consulting services - (at $0.50)	17,500	17	8,733	-	-	-	8,750
Shares issued for consulting services -	16,667	17	9,983	-	-	-	10,000

(at $0.60)							
Shares issued for consulting services - (at $0.73)	5,885	6	4,290	-	-	-	4,296
Shares issued for consulting services - (at $0.80)	75,834	75	60,592	-	-	-	60,667
Shares issued for consulting services - (at $1.50)	482	-	723	-	-	-	723
Shares issued for consulting services - (at $0.50)	6,668	7	3,327	-	-	-	3,334
Shares and warrants issued in exchange of notes payable - (at $1.06)	112,500	113	119,587	-	-	-	119,700
Shares issued in exchange of notes payable and accrued interest - (at $0.40)	256,268	256	102,251	-	-	-	102,507
Shares issued in exchange of notes payable and accrued interest - (at $0.45)	102,583	103	46,059	-	-	-	46,162
Shares issued in exchange of notes payable - (at $0.50.)	60,000	60	29,940	-	-	-	30,000
Shares issued in exchange of notes payable - (at $0.65)	124,900	125	81,060	-	-	-	81,185
Stock-based compensation	-	-	494,291	-	-	-	494,291
Impact of share rounding as a result	39	-	-	-	-	-	-

of reverse stock split							
Net loss	-	-	-	(4,120,201)	-	-	(4,120,201)
Balance - September 30, 2013	17,668,399	$ 17,668	$ 11,561,709	$ (18,181,421)	(558,621)	$ (32,000)	$ (6,634,044)

See Notes to these Condensed Consolidated Financial Statements

BIORESTORATIVE THERAPIES, INC. & SUBSIDIARIES
(A COMPANY IN THE DEVELOPMENT STAGE)

Condensed Consolidated Statements of Cash Flows

(unaudited)

	For The Nine Months Ended September 30, 2013	2012	Period From December 30, 2008 (Inception) to September 30, 2013
Cash Flows From Operating Activities			
Net loss	$ (4,120,201)	$ (4,617,627)	$ (18,191,785)
Adjustments to reconcile net loss to net cash used in operating activities:			
Amortization of debt discount	284,601	254,888	1,170,493
Depreciation and amortization	79,064	63,396	314,650
Loss on sale of property and equipment	-	-	21,614
Stock-based compensation	582,061	1,176,470	4,712,458
Loss on extinguishment of notes payable	7,200	53,640	76,908
Gain on settlement of note and payables, net	-	(23,077)	(110,495)
Changes in operating assets and liabilities:			
Inventories	(5,481)	-	(17,965)
Prepaid expenses and other current assets	(29,273)	21,682	(47,706)
Accounts payable	384,843	273,662	1,102,761
Accrued expenses and other current liabilities	908,535	695,498	2,133,139
Total Adjustments	2,211,550	2,516,159	9,355,857
Net Cash Used In Operating Activities	(1,908,651)	(2,101,468)	(8,835,928)
Cash Flows From Investing Activities			
Purchases of property and equipment	-	(2,533)	(165,776)
Proceeds from sale of property and equipment	-	-	32,000
Acquisition of intangible assets	-	(1,000,000)	(1,003,676)
Net Cash Used In Investing Activities	-	(1,002,533)	(1,137,452)
Cash Flows From Financing Activities			
Proceeds from notes payable	979,000	2,235,500	6,818,139
Repayments of notes payable	(4,000)	(50,000)	(564,222)
Advances from director and officer	119,255	48,058	268,313
Repayment of advances from director and officer	(90,325)	(22,000)	(239,383)
Proceeds from exercise of warrants	-	-	1,875
Repurchase of common stock	-	-	(32,000)
Sales of common stock and warrants for cash	905,000	925,000	3,721,300
Net Cash Provided By Financing Activities	1,908,930	3,136,558	9,974,022

Net Increase In Cash		279		32,557		642
Cash - Beginning		363		71,508		-
Cash - Ending	$	642	$	104,065	$	642

See Notes to these Condensed Consolidated Financial Statements

BIORESTORATIVE THERAPIES, INC. & SUBSIDIARIES
(A COMPANY IN THE DEVELOPMENT STAGE)

Condensed Consolidated Statements of Cash Flows Continued

(unaudited)

	For The Nine Months Ended September 30, 2013		For The Nine Months Ended September 30, 2012		Period from December 30, 2008 (Inception) to September 30, 2013	
Supplemental Disclosures of Cash Flow Information:						
Cash paid during the period for:						
Interest	$	36,925	$	379,129	$	638,742
Non-cash investing and financing activities:						
Shares and warrants issued in connection with issuance or extension of notes payable	$	548,235	$	244,562	$	1,503,875
Shares issued in satisfaction of accrued interest	$	213,000	$	-	$	213,000
Shares issued in connection with reverse recapitalization	$	-	$	-	$	362,000
Shares issued pursuant to reverse recapitalization and subsequently cancelled	$	-	$	-	$	146,195
Purchase of property and equipment for note payable	$	-	$	-	$	291,055
Purchase of property and equipment for account payable	$	-	$	-	$	60,000
Accrued payable for treasury shares repurchased	$	-	$	-	$	7,000
Shares reissued to former President	$	-	$	-	$	12,577
Property and equipment returned in connection with settlement of note payable, net	$	-	$	-	$	226,043
Shares and warrants issued in exchange of notes payable and accrued interest	$	379,554	$	653,640	$	1,203,762
Warrant issued as partial consideration for intangible asset	$	-	$	226,500	$	226,500
Reclassification of accrued interest in connection with note payable issuance	$	68,100	$	6,185	$	74,285

See Notes to these Condensed Consolidated Financial Statements

BIORESTORATIVE THERAPIES, INC. & SUBSIDIARIES
(A COMPANY IN THE DEVELOPMENT STAGE)

Notes to Condensed Consolidated Financial Statements
(unaudited)

Note 1 Business Organization, Nature of Operations, and Basis of Presentation

BioRestorative Therapies, Inc. (and including its subsidiaries, "BRT" or the "Company") is a development stage enterprise whose primary activities since inception have been the development of its business plan, negotiating strategic alliances and other agreements, raising capital and the sponsorship of research and development activities. BRT develops medical procedures using cell and tissue protocols, primarily involving adult stem cells designed for patients to undergo minimally invasive cellular-based treatments. BRT's website is at www.biorestorative.com. BRT's "brtxDISC Program" (Disc Implanted Stem Cells) is designed to offer a non-surgical cellular therapy for the treatment and relief of bulging and herniated discs. BRT's "ThermoStem® Program" (Brown Fat Stem Cells) focuses on treatments for metabolic disorders, specifically targeting Type 2 diabetes and obesity by using brown fat stem cells. BRT has developed an ingredient derived from human adult stem cells, which can be used by third party companies in the development of their own skin care products. The ingredient was developed pursuant to BRT's "brtx-C Cosmetic Program". BRT's Stem Pearls brand offers plant stem cell-based cosmetic skincare products that are available for purchase online at www.stempearls.com.

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial information. Accordingly, they do not include all of the information and disclosures required by GAAP for annual financial statements. In the opinion of management, such statements include all adjustments (consisting only of normal recurring items) which are considered necessary for a fair presentation of the condensed consolidated financial statements of the Company as of September 30, 2013, for the three and nine months ended September 30, 2013 and 2012 and for the period from December 30, 2008 (inception) to September 30, 2013. The results of operations for the three and nine months ended September 30, 2013 are not necessarily indicative of the operating results for the full year ending December 31, 2013. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and related disclosures of the Company as of December 31, 2012 and for the year then ended, and for the period from December 30, 2008 (inception) to December 31, 2012, which were filed with the Securities and Exchange Commission on Form 10-K on April 2, 2013.

Effective April 15, 2013, pursuant to authority granted by the stockholders and the Board of Directors of the Company, the Company implemented a 1-for-50 reverse split of the Company's issued and outstanding common stock (the "Reverse Split") and a reduction in the number of shares of common stock authorized to be issued by the Company from 1,500,000,000 to 100,000,000. All share and per share information in this Form 10-Q has been retroactively adjusted to reflect the Reverse Split.

Note 2 Going Concern and Management Plans

As of September 30, 2013, the Company had a working capital deficiency and a stockholders' deficiency of $7,791,744 and $6,634,044, respectively. The Company has not generated significant revenues and incurred net losses of $18,191,785 during the period from December 30, 2008 (inception) through September 30, 2013. These conditions raise substantial doubt about the Company's ability to continue as a going concern.

The Company's primary source of operating funds since inception has been equity and debt financings. The Company intends to continue to raise additional capital through debt and equity financings. The Company is currently a development stage company and there is no assurance that these funds will be sufficient to enable the Company to fully complete its development activities or attain profitable operations. If the Company is unable to obtain such additional financing on a timely basis and, notwithstanding any request the Company may make, the Company's debt holders do not agree to convert their notes into equity or extend the maturity dates of their notes, the Company may have to curtail its development, marketing and promotional activities, which would have a material adverse effect on the Company's business, financial condition and results of operations, and ultimately the Company could be forced to discontinue its operations and liquidate.

The accompanying unaudited condensed consolidated financial statements have been prepared in conformity with GAAP, which contemplate continuation of the Company as a going concern and the realization of assets and satisfaction of liabilities in the normal course of business. The carrying amounts of assets and liabilities presented in the financial statements do not necessarily purport to represent realizable or settlement values. The unaudited condensed consolidated financial statements do not include any adjustment that might result from the outcome of this uncertainty.

BIORESTORATIVE THERAPIES, INC. & SUBSIDIARIES
(A COMPANY IN THE DEVELOPMENT STAGE)

Notes to Condensed Consolidated Financial Statements
(unaudited)

Note 2 Going Concern and Management Plans Continued

Subsequent to September 30, 2013, the Company has raised $350,000 through debt financing. As a result, the Company expects that the cash it has available will fund its operations through December 2013. While there can be no assurance that it will be successful, the Company is in active negotiations to raise additional capital. As of the filing date of this report, the Company has notes payable with an aggregate principal balance of $305,000 which are either past due or on demand. The Company is currently in the process of negotiating extensions or discussing conversions to equity with respect to these notes. However, there can be no assurance that the Company will be successful in extending or converting these notes. See Note 8 Subsequent Events for additional details.

Note 3 Summary of Significant Accounting Policies

Principles of Consolidation

The unaudited condensed consolidated financial statements of the Company include the accounts of Stem Cell Cayman Ltd. (“Cayman”) and Stem Pearls, LLC. All significant intercompany transactions have been eliminated in the consolidation.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at dates of the financial statements and the reported amounts of revenue and expenses during the periods. The Company’s significant estimates and assumptions include the recoverability and useful lives of long-lived assets, the fair value of the Company’s stock, stock-based compensation, debt discount and the valuation allowance related to the Company’s deferred tax assets. Certain of the Company’s estimates, including the carrying amount of the intangible assets, could be affected by external conditions, including those unique to the Company and general economic conditions. It is reasonably possible that these external factors could have an effect on the Company’s estimates and could cause actual results to differ from those estimates.

Concentrations and Credit Risk

As of September 30, 2013, approximately 75% of the face value of the Company’s outstanding notes payable were sourced from a single entity (the “Bermuda Lender”). See Note 5 Notes Payable for additional discussion of the Bermuda Lender.

Cash

The Company maintains cash in bank accounts, which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts and periodically evaluates the credit worthiness of the financial institutions and has determined the credit exposure to be negligible. As of September 30, 2013, the Company had a de minimis amount deposited with an offshore financial institution which is not insured by the Federal Deposit Insurance Corporation.

Revenue Recognition

For the three and nine months ended September 30, 2013, the Company's revenue was attributable to sales of Stem Pearls® skincare products. The Company's policy is to recognize product sales when the risk of loss and title to the product transfers to the customer, after taking into account potential returns. The Company recognizes sublicensing and royalty revenue when all of the following have occurred: (i) persuasive evidence of an arrangement exists, (ii) the service is completed without further obligation, (iii) the sales price to the customer is fixed or determinable, and (iv) collectability is reasonably assured.

BIORESTORATIVE THERAPIES, INC. & SUBSIDIARIES
(A COMPANY IN THE DEVELOPMENT STAGE)

Notes to Condensed Consolidated Financial Statements
(unaudited)

Note 3 Summary of Significant Accounting Policies Continued

Net Loss Per Common Share

Basic loss per common share is computed by dividing net loss by the weighted average number of vested common shares outstanding during the period. Diluted loss per common share is computed by dividing net loss by the weighted average number of vested common shares outstanding, plus the impact of common shares, if dilutive, resulting from the vesting of restricted stock and the exercise of outstanding stock options and warrants.

The following securities are excluded from the calculation of weighted average dilutive common shares because their inclusion would have been anti-dilutive:

	September 30,	
	2013	2012
Options	4,063,000	3,158,500
Warrants	4,545,890	2,750,000
Total potentially dilutive shares	8,608,890	5,908,500

Stock-Based Compensation

The Company measures the cost of services received in exchange for an award of equity instruments based on the fair value of the award. For employees, the fair value of the award is measured on the grant date and for non-employees, the fair value of the award is generally re-measured on vesting dates and interim financial reporting dates until the service period is complete. The fair value amount is then recognized over the period during which services are required to be provided in exchange for the award, usually the vesting period. Since the shares underlying the Company’s 2010 Equity Participation Plan (the “Plan”) are not currently registered, the fair value of the Company’s restricted equity instruments was estimated by management based on observations of the cash sales prices of both restricted shares and freely tradable shares. Awards granted to directors are treated on the same basis as awards granted to employees.

Reclassifications

Certain prior period amounts have been reclassified for comparative purposes to conform to the fiscal 2013 presentation. These reclassifications have no impact on the previously reported net loss.

Subsequent Events

The Company evaluates events that have occurred after the balance sheet date but before the financial statements are issued. Based upon the evaluation, the Company did not identify any recognized or non-recognized subsequent events that would have required adjustment or disclosure in the condensed consolidated financial statements, except as disclosed in Note 8.

Recently Issued Accounting Pronouncements

In April 2013, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2013-07, “Presentation of Financial Statements (Topic 205) - Liquidation Basis of Accounting." This ASU addresses the requirements and methods of applying the liquidation basis of accounting and the disclosure requirements within Accounting Standards Codification ("ASC") Topic 205 for the purpose of providing consistency between the financial reporting of U.S. GAAP liquidating entities. Generally, this ASU provides guidance for the preparation of financial statements and disclosures when liquidation is imminent. This ASU is effective for periods beginning after December 15, 2013 and would only have an impact on the Company’s condensed consolidated financial statements or disclosures if liquidation of the Company became imminent.

BIORESTORATIVE THERAPIES, INC. & SUBSIDIARIES
(A COMPANY IN THE DEVELOPMENT STAGE)

Notes to Condensed Consolidated Financial Statements
(unaudited)

Note 3 Summary of Significant Accounting Policies Continued

Recently Issued Accounting Pronouncements Continued

In July 2013, the FASB issued ASU No. 2013-11, “Income Taxes (Topic 740): Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists." This ASU addresses the requirements regarding the financial statement presentation of an unrecognized tax benefit within ASC Topic 740 for the purpose of providing consistency between the financial reporting of U.S. GAAP entities. Generally, this ASU provides guidance for the preparation of financial statements and disclosures when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. This ASU is effective for periods beginning after December 15, 2013 and is not expected to have a material impact on the Company’s condensed consolidated financial statements or disclosures.

Note 4 Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities are comprised of the following:

	September 30, 2013 (unaudited)		December 31, 2012	
Accrued loan interest	$	59,495	$	94,650
Credit card payable		6,439		7,662
Accrued payroll and payroll taxes		1,211,639		770,154
Other accrued expenses		449,324		180,531
Deferred rent		9,241		29,845
Total	$	1,736,138	$	1,082,842

During the nine months ended September 30, 2013, the Company received an aggregate of $119,255 in non-interest bearing advances from a director and an officer of the Company and made aggregate repayments of $90,325 of advances, such that the Company had a liability to a director, an officer and a family member of the same officer in the amounts of $9,990, $3,940, and $15,000, respectively, at September 30, 2013, which is due on demand. During the nine months ended September 30, 2012, the Company received an aggregate of $48,058 in non-interest bearing advances from an officer of the Company and made aggregate repayments of $22,000 of advances, such that the Company had a liability to the officer of $26,058 at September 30, 2012, which was due on demand and subsequently repaid.

Note 5 Notes Payable

On March 26, 2013, Cayman borrowed an additional $450,000 from the Bermuda Lender, which was combined with the already outstanding $3,550,000 of previous borrowings from the Bermuda Lender into a new $4,000,000 zero coupon note which matures on July 31, 2014. In consideration of the additional $450,000 loan, the waiver of accrued and unpaid interest of $213,000, and an extension of the maturity date of the outstanding loan, the Company issued to the Bermuda Lender 600,000 shares of common stock (valued at $480,000) and a five year warrant to purchase

400,000 shares of common stock at an exercise price of $2.50 per share (valued at $250,000). After determining that 266,250 shares of common stock were used to settle the accrued and unpaid interest, the Company determined that the relative fair value of the remaining equity securities issued was $457,826, which amount was set-up as debt discount and is being amortized via the interest method over the sixteen month term of the new note in accordance with Accounting Standards Codification 470-60.

BIORESTORATIVE THERAPIES, INC. & SUBSIDIARIES
(A COMPANY IN THE DEVELOPMENT STAGE)

Notes to Condensed Consolidated Financial Statements
(unaudited)

Note 5 Notes Payable Continued

On April 23, 2013, the Company and a lender agreed to extend the maturity date of a $25,000 note to June 30, 2013. The note bears interest at a rate of 15% per annum payable monthly. The parties also agreed that if the Company subsequently received at least $500,000 of net proceeds from an equity financing, the lender would have the right to demand immediate payment of the $25,000 note. In consideration of the foregoing, a five-year warrant to purchase 2,500 shares of common stock at an exercise price of $2.50 per share, with a relative fair value of $892, was issued to the lender and was recorded as a debt discount. On July 23, 2013, the maturity date of the note was extended to December 31, 2013. The extended note continues to bear interest at a rate of 15% per annum payable monthly. In connection with the extension, a five-year warrant to purchase 10,000 shares of common stock at an exercise price of $1.50 per share, with a relative fair value of $3,405, was issued to the lender and was recorded as a debt discount.

On June 6, 2013, the Company and a lender agreed to combine a previously outstanding $350,000 note (which was at maturity) with accrued and unpaid interest of $52,500 into a new $402,500 note (the “New Note”) which matures on December 6, 2013. The New Note bears interest at a rate of 15% per annum payable monthly. In consideration of the New Note, a five-year warrant to purchase 50,000 shares of common stock at an exercise price of $1.75 per share, with a relative fair value of $18,435 using the Black-Scholes model, was issued to the lender and was recorded as a debt discount. In the event the New Note is not paid in full on or before December 6, 2013, the Company will issue to the lender a five-year warrant to purchase 50,000 shares of common stock at an exercise price equal to 175% of the then fair market value of the Company’s common stock. As of September 30, 2013, the warrant had a fair value of $20,385 using the Black-Scholes model. The New Note shall be subject to acceleration as follows: (a) mandatory prepayment at a rate of 10.5% of Cosmetic Revenues (as defined in the New Note; excludes revenues associated with Stem Pearls® products); (b) if the Company receives debt and/or equity financing of at least $1,000,000, then $52,500 of the principal amount of the New Note shall be payable; (c) if the Company receives debt and/or equity financing of between $1,000,000 and $2,000,000, then an amount equal to 20% of such additional amount shall be payable; and (d) if the Company receives debt and/or equity financing of more than $2,000,000, then an amount equal to 10% of such additional amount shall be payable. In connection with the foregoing, the subscription agreement, dated June 6, 2012, was amended as follows: (a) the five-year period of royalty payments associated with Cosmetic Revenues shall commence on the date of the initial order of Cosmetic Products; (b) such royalty payments will range from 2% to 4% of Cosmetic Revenues, depending on the year the Cosmetic Revenues are earned and the status of the principal repayments, and are without maximum limitations. Given that the Company has not yet generated any Cosmetic Revenues, no royalty payments have been earned.

On July 19, 2013, the Company issued a lender a one-month note payable in the amount of $85,000, with interest of $15,000 due upon maturity (the “July Note Guaranteed Interest Amount”). In connection with the note, the Company issued a five-year warrant to purchase 10,000 shares of common stock at an exercise price of $1.50 per share. The warrant had a relative fair value of $3,767. In the event that the principal and July Note Guaranteed Interest Amount is not paid in full by the maturity date, the Company shall be obligated to pay to the lender interest on the unpaid principal sum and the unpaid Guaranteed Interest Amount at a rate of 15% per annum payable monthly. On August 19, 2013, the Company and the lender agreed to combine the outstanding $85,000 note (which was at maturity), accrued and unpaid interest of $15,000 and $50,000 of new proceeds into a new $150,000 note (the “New August Note”) which matures on August 19, 2014. The New August Note bears interest at a rate of 15% per annum payable monthly. In consideration of the foregoing, a five-year warrant to purchase 50,000 shares of common stock at an exercise price of $1.00 per share, with a relative fair value of $18,116, was issued to the lender and was recorded as a debt discount.

On August 5, 2013, the Company issued a lender a six-month note payable in the amount of $36,000. The note bears interest at a rate of 12% per annum payable upon maturity. The note is convertible into shares of the Company's common stock at the election of the Company during the period beginning five days prior to maturity and ending on the day immediately prior to maturity (the "August 5 Note Conversion Period"). The conversion price of the note is equal to the greater of (a) 60% of the fair value of the Company's common stock, as determined by the average closing price of the Company's common stock on the five trading days immediately preceding the August 5 Note Conversion Period or (b) $0.05 per share. As of September 30, 2013, the note is not convertible.

On August 8, 2013 and September 4, 2013, the Company repaid $2,000 on each date, respectively, of a note payable with an original principal balance of $8,500 such that the remaining principal balance as of September 30, 2013 was $4,500.

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Note 5 Notes Payable Continued

On August 19, 2013, the Company issued a lender a six-month note payable in the amount of $35,000. The note bears interest at a rate of 12% per annum payable upon maturity. The note is convertible into shares of the Company's common stock at the election of the Company during the period beginning five days prior to maturity and ending on the day immediately prior to maturity (the "August 19 Note Conversion Period"). The conversion price of the note is equal to the greater of (a) 60% of the fair value of the Company's common stock, as determined by the average of the two lowest closing prices of the Company's common stock on the five trading days immediately preceding the August 19 Note Conversion Period or (b) $0.05 per share.As of September 30, 2013, the note is not convertible.

On August 28, 2013, the Company issued a lender a note payable in the amount of $100,000, with interest of $20,000 due upon maturity (the "August Note Guaranteed Interest Amount"), which is being recognized during the term using the interest method. The note has a maturity date of December 31, 2013. In connection with the note, the Company issued a five-year warrant to purchase 50,000 shares of common stock at an exercise price of $1.50 per share. The warrant had a relative fair value of $16,489. In the event that the principal and August Note Guaranteed Interest Amount is not paid in full by the maturity date, the Company shall be obligated to pay to the lender interest on the unpaid principal sum and the unpaid August Note Guaranteed Interest Amount at a rate of 15% per annum payable monthly, with payments due on the first date of each calendar month starting on February 1, 2014.

In addition to the debt financings described above, during the nine months ended September 30, 2013, the Company issued an additional $223,600 of notes payable (which includes $600 of accrued interest that was converted to principal). In connection with the financings, five-year warrants to purchase 80,000 shares of common stock at exercise prices ranging from $1.50 to $2.50 per share, with an aggregate relative fair value of $25,601 using the Black-Scholes model, were issued to three of the lenders and were recorded as a debt discount. These notes are payable 6-12 months from the date of issuance and have a rate of interest of 15% per annum payable monthly.

In addition to the debt financings described above, during the nine months ended September 30, 2013, the maturity dates of certain notes payable with an aggregate principal balance of $128,500 were extended to new maturity dates ranging from September 2013 through April 2014. All of the extended notes bear a 15% interest rate per annum payable monthly.

During the nine months ended September 30, 2013, the Company and certain lenders agreed to exchange certain notes payable with an aggregate principal balance of $369,285, along with accrued and unpaid interest of $3,069, for an aggregate of 656,251 shares of common stock and five-year warrants to purchase an aggregate of 45,000 shares of common stock at an exercise price of $1.50 per share. The stock and warrants had an aggregate issuance date value of $379,554 and, as a result, the Company recorded a loss on extinguishment of $7,200. The lenders received piggyback registration rights related to the stock and the stock issuable pursuant to the warrants.

During the nine months ended September 30, 2013, the Company issued 5,000 shares to a lender in connection with the 2012 extension of the maturity date of a note payable. The shares had a relative fair value of $3,704 and were expensed immediately as debt discount.

The Company recorded amortization of debt discount of $117,970 and $284,601 during the three and nine months ended September 30, 2013, respectively, and $99,501 and $254,888 during the three and nine months ended

September 30, 2012, respectively. Aggregate amortization of debt discount from December 30, 2008 (inception) to September 30, 2013 was $1,170,493.

Note 6 Commitments and Contingencies

Operating Lease

Rent expense amounted to approximately $23,000 and $76,000 during the three and nine months ended September 30, 2013, respectively, and $27,000 and $77,000 during the three and nine months ended September 30, 2012, respectively. Rent expense for the period from December 30, 2008 (inception) to September 30, 2013 was approximately $309,000. Rent expense is reflected in general and administrative expenses in the condensed consolidated statements of operations.

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Note 6 Commitments and Contingencies Continued

Consulting Agreements

On March 20, 2013, the Company granted an immediately vested, three-year warrant to purchase 10,000 shares of common stock at an exercise price of $1.50 per share to a consultant. The grant date value of $6,600 was recognized immediately.

On March 22, 2013, the Company granted an immediately vested, five-year warrant to purchase 100,000 shares of common stock at an exercise price of $4.00 per share as consideration for legal services. The grant date value of $59,000 was recognized immediately.

During the three and nine months ended September 30, 2013, an aggregate of 52,552 and 123,036 shares of immediately vested common stock valued at $33,046 and $87,770, respectively, were issued to consultants for various services rendered to the Company.

Claims

On June 14, 2013, the Company received a claim letter from counsel to an alleged former consultant ("RAK Enterprises") to the Company. The claims are associated with an alleged loan made in 2009 and an alleged consulting/employment agreement entered into with the Company effective in 2009. The aggregate claims are for approximately $218,000 of cash and approximately 93,912 shares of the Company's common stock. The Company has become aware of an action titled "RAK Enterprises v. BioRestorative Therapies" that was filed on November 8, 2013 with the Circuit Court of Palm Beach County, Florida. While the Company has not yet been served with the action and is unfamiliar with its contents, the Company has no reason to believe that such an action would make claims materially different than those presented by counsel in the aforementioned claim letter. The Company believes that the claims are without merit and it intends to vigorously defend this matter.

Note 7 Stockholders' Deficiency

Common Stock Issuances

During the nine months ended September 30, 2013, the Company issued an aggregate of 840,589 shares of common stock at prices ranging from $0.85 to $1.50 per unit to investors for aggregate gross proceeds of $905,000. In consideration of the purchases, the Company issued five-year warrants for the purchase of an aggregate of 403,590 shares of common stock, which are exercisable at exercise prices ranging from $1.50 to $4.00 per share of common stock. The warrants had an aggregate grant date fair value of $224,313.

See Note 5 Notes Payable for details associated with common stock issued in conjunction with the extension and exchange of notes payable and related accrued interest.

See Note 6 Commitments and Contingencies for details associated with common stock issued in conjunction with consulting agreements.

Warrant and Option Valuation

The Company has computed the fair value of warrants and options granted using the Black-Scholes option pricing model. Option forfeitures are estimated at the time of valuation and reduce expense ratably over the vesting period. This estimate will be adjusted periodically based on the extent to which actual option forfeitures differ, or are expected to differ, from the previous estimate, when it is material. The Company estimated forfeitures related to option grants at an annual rate of 0% for options granted during the three and nine months ended September 30, 2013. The expected term used for warrants and options issued to non-employees is the contractual life and the expected term used for options issued to employees is the estimated period of time that options granted are expected to be outstanding. The Company utilizes the “simplified” method to develop an estimate of the expected term of “plain vanilla” employee option grants. Since the Company’s stock has not been publicly traded for a sufficiently long period of time, the Company is utilizing an expected volatility figure based on a review of the historical volatilities, over a period of time, equivalent to the expected life of the instrument being valued, of similarly positioned public companies within its industry. The risk-free interest rate was determined from the implied yields from U.S. Treasury zero-coupon bonds with a remaining term consistent with the expected term of the instrument being valued.

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Note 7 Stockholders' Deficiency Continued

Stock Warrants

See Note 5 Notes Payable for details associated with the issuance of warrants in connection with note issuances and the exchange of notes payable. See Note 6 Commitments and Contingencies for details associated with the issuance of warrants as compensation. See Note 7 Stockholders' Deficiency Common Stock Issuances for details associated with the issuance of warrants in connection with common stock issuances.

In applying the Black-Scholes option pricing model to warrants granted, the Company used the following weighted average assumptions:

	For The Three Months Ended September 30,				For The Nine Months Ended September 30,			
	2013		2012		2013		2012	
Risk free interest rate	1.57	%	0.65	%	0.92	%	0.75	%
Expected term (years)	5.00		5.00		4.98		5.00	
Expected volatility	135.00	%	183.00	%	135.00	%	182.93	%
Expected dividends	0.00	%	0.00	%	0.00	%	0.00	%

The weighted average estimated fair value of the warrants granted during the three and nine months ended September 30, 2013 was $0.32 and $0.54, respectively, and was $0.70 and $0.65 during the three and nine months ended September 30, 2012, respectively.

The Company recorded stock based compensation expense of $26,701 and $47,305 during the three and nine months ended September 30, 2013, respectively, and $147,668 and $340,780 during the three and nine months ended September 30, 2012, respectively, and $594,558 during the period from December 30, 2008 (inception) to September 30, 2013, related to stock warrants issued as compensation, which is reflected as consulting expense in the condensed consolidated statement of operations. As of September 30, 2013, there was $18,095 of unrecognized stock-based compensation expense related to stock warrants that is subject to non-employee mark-to-market adjustments and will be amortized over a weighted average period of 0.3 years.

A summary of the stock warrant activity during the nine months ended September 30, 2013 is presented below:

	Number of Warrants	Weighted Average Exercise Price	Weighted Average Remaining Life In Years	Intrinsic Value
Outstanding, December 31, 2012	3,334,800	$1.69		
Granted	1,211,090	2.69		
Exercised	-	-		
Forfeited	-	-		
Outstanding, September 30, 2013	4,545,890	$1.96	3.8	$-

Exercisable, September 30, 2013	3,685,890	$2.07	3.9	$-

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Note 7 Stockholders' Deficiency Continued

Stock Warrants Continued

The following table presents information related to stock warrants at September 30, 2013:

Warrants Outstanding				Warrants Exercisable	
	Exercise Price		Outstanding Number of Warrants	Weighted Average Remaining Life In Years	Exercisable Number of Warrants
$	0.50		40,000	0.8	40,000
	1.00		90,000	4.2	90,000
	1.50		2,367,800	3.7	2,207,800
	1.75		90,000	4.2	90,000
	2.00		35,294	4.7	35,294
	2.50		577,500	4.3	577,500
	3.00		55,296	4.6	55,296
	4.00		590,000	4.3	590,000
	Variable	[1]	700,000	-	-
			4,545,890	3.9	3,685,890

[1] Warrants to purchase 700,000 shares of common stock have an exercise price which is the greater of $1.50 per share or the fair market value of the common stock on the date certain performance criteria are met. Exercisability of warrants is subject to satisfaction of certain performance criteria.

Stock Options

In applying the Black-Scholes option pricing model to stock options granted, the Company used the following weighted average assumptions:

	For The Three Months Ended September 30,				For The Nine Months Ended September 30,			
	2013		2012		2013		2012	
Risk free interest rate	2.48	%	0.83	%	2.22	%	0.91	%
Expected term (years)	10.00		5.00		9.85		5.37	
Expected volatility	135.00	%	183.00	%	135.00	%	182.14	%
Expected dividends	0.00	%	0.00	%	0.00	%	0.00	%

The weighted average estimated fair value of the options granted during the three and nine months ended September 30, 2013 was $0.48 and $0.58, respectively, and was $0.75 and $0.45 during the three and nine months ended September 30, 2012, respectively.

On March 27, 2013, the Company granted a ten-year option to an advisor to purchase 60,000 shares of common stock at an exercise price of $1.50 per share, pursuant to the Plan. The shares vest as follows: (i) 30,000 shares immediately and (ii) 30,000 shares on the first anniversary of the grant date. The grant date value of $45,900 will be recognized half immediately and half proportionate to the vesting period.

On June 10, 2013, the Company granted a five-year option to an advisor to purchase 5,000 shares of immediately-vested common stock at an exercise price of $1.00 per share, pursuant to the Plan. The grant date value of $2,056 was recognized immediately.

On July 2, 2013, the Company granted a ten-year option to an advisor to purchase 100,000 shares of common stock at an exercise price of $1.00 per share, pursuant to the Plan. The shares vest as follows: (i) 50,000 shares immediately and (ii) 50,000 shares on the first anniversary of the grant date. The grant date value of $47,960 will be recognized half immediately and half proportionate to the vesting period.

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Note 7 Stockholders' Deficiency Continued

Stock Options Continued

The following table presents information related to stock option expense:

	For The Three Months Ended September 30, 2013	2012	For The Nine Months Ended September 30, 2013	2012	Period From December 30, 2008 (Inception) to September 30, 2013	Unrecognized at September 30, 2013		Weighted Average Amortization Period (Years)
Consulting	$19,125	$58,500	$83,375	$384,310	$734,467	$14,875		0.2
Research and development	80,640	35,705	204,499	72,814	414,635	93,106	[1]	0.7
General and administrative	52,681	34,589	159,112	226,826	1,068,733	55,058		0.3
	$152,446	$128,794	$446,986	$683,950	$2,217,835	$163,039		0.5

[1] Contains $48,042 of unrecognized expense that is subject to non-employee mark-to-market adjustments.

A summary of the stock option activity during the nine months ended September 30, 2013 is presented below:

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Life In Years	Intrinsic Value
Outstanding, December 31, 2012	4,018,000	$ 1.12		
Granted	165,000	1.18		
Exercised	-	-		
Forfeited	(120,000)	0.50		
Outstanding, September 30, 2013	4,063,000	$ 1.14	8.1	$ -
Exercisable, September 30, 2013	2,979,667	$ 1.08	8.1	$ -

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Note 7 Stockholders' Deficiency Continued

Stock Options Continued

The following table presents information related to stock options at September 30, 2013:

Options Outstanding			Options Exercisable	
Exercise Price		Outstanding Number of Options	Weighted Average Remaining Life In Years	Exercisable Number of Options
$	0.50	320,000	6.1	320,000
	1.00	135,000	8.8	85,000
	1.05	2,280,000	8.4	1,946,667
	1.10	5,000	3.7	5,000
	1.20	10,000	2.7	10,000
	1.25	43,000	3.1	43,000
	1.40	350,000	5.2	110,000
	1.50	920,000	9.2	460,000
		4,063,000	8.1	2,979,667

Common Stock Awards

The following table presents information related to common stock award expense:

	For The Three Months Ended September 30, 2013	2012	For The Nine Months Ended September 30, 2013	2012	Period From December 30, 2008 (Inception) to September 30, 2013	Unrecognized at September 30, 2013
Consulting	$ 18,750	$ 80,000	$ 72,751	$ 151,740	$ 1,761,146	$ -
Research and development	14,296	-	15,019	-	15,019	-
General and administrative	-	-	-	-	123,900	-
	$ 33,046	$ 80,000	$ 87,770	$ 151,740	$ 1,900,065	$ -

A summary of common stock award activity for the nine months ended September 30, 2013 is presented below:

Number of Shares	Weighted Average Grant Date Fair Value	Total Grant Date Fair Value

Non-vested, December 31, 2012	-	$	-	$	-
Granted	123,036		0.71		87,770
Vested	(123,036)		0.71		(87,770)
Forfeited	-		-		-
Non-vested, September 30, 2013	-	$	-	$	-

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Note 8 Subsequent Events

Short Term Advances

Subsequent to September 30, 2013, the Company repaid $3,940 of non-interest bearing advances from an officer.

Notes Payable

On October 2, 2013, the Company issued a lender a one-year note payable in the amount of $200,000. The note bears interest at a rate of 15% per annum payable monthly. In connection with the note, a five-year warrant to purchase 100,000 shares of common stock at an exercise price of $1.50 per share was issued. The warrant had a relative fair value of $32,531.

On October 21, 2013, the Company issued a lender a six-month note payable in the amount of $25,000. The note bears interest at a rate of 12% per annum payable upon maturity. The note is convertible into shares of the Company's common stock at the election of the Company during the period beginning five days prior to maturity and ending on the day immediately prior to maturity (the "October 21 Note Conversion Period"). The conversion price of the note is equal to the greater of (a) 55% of the fair value of the Company's common stock, as determined by the average closing price of the Company's common stock on the five trading days immediately preceding the October 21 Note Conversion Period or (b) $0.05 per share.

On October 25, 2013, the Company issued a lender a note payable in the amount of $50,000 with a maturity date of May 8, 2014. The note bears interest at a rate of 12% per annum payable upon maturity. The note is convertible into shares of the Company's common stock at the election of the lender during the period beginning on April 25, 2014 and ending on May 7, 2014 (the "October 25 Note Conversion Period"). The conversion price of the note is equal to the greater of (a) 60% of the fair value of the Company's common stock, as determined by the average of the two lowest closing prices of the Company's common stock on the five trading days immediately preceding the October 25 Note Conversion Period or (b) $0.05 per share. In the event the lender does not exercise its conversion right, the Company will have the right, in lieu of paying the outstanding principal amount of the note, to deliver such number of shares of its common stock as would have been issuable to the lender had it elected to exercise its conversion right.

On November 8, 2013, the Company issued a lender a two-month note payable in the principal amount of $30,000, without interest, in consideration for $25,000 of new proceeds. The note is convertible into shares of the Company's common stock at the election of the lender during the period beginning on May 9, 2014 and ending on May 21, 2014 (the "November 8 Note Conversion Period"). The conversion price of the note is equal to the lesser of (a) $0.25 per share or (b) 50% of the fair value of the Company's common stock, as determined by the average of the two lowest closing prices of the Company's common stock on the five trading days immediately preceding the November 8 Note Conversion Period (but the conversion price may not be less than $0.05 per share). In the event that the principal is not paid in full by the maturity date, the Company shall be obligated to pay to the lender interest on the unpaid principal at a rate of 8% per annum until the principal is paid or converted into shares of the Company's common stock. In the event that the principal amount is not paid in full by March 8, 2014 and May 8, 2014, the principal amount of the note shall be deemed to be increased by $5,000 and $2,500, respectively. In the event the lender does not exercise its conversion right, the Company will have the right, in lieu of paying the outstanding principal amount of the note, to deliver such number of shares of its common stock as would have been issuable to the lender had it elected to exercise its conversion right.

On November 12, 2013, the Company issued a lender a six-month note payable in the amount of $25,000. The note bears interest at a rate of 12% per annum payable upon maturity. The note is convertible into shares of the Company's common stock at the election of the Company during the period beginning five days prior to maturity and ending on the day immediately prior to maturity (the "November 12 Note Conversion Period"). The conversion price of the note is equal to the greater of (a) 55% of the fair value of the Company's common stock, as determined by the average closing price of the Company's common stock on the five trading days immediately preceding the November 12 Note Conversion Period or (b) $0.05 per share.

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Note 8 Subsequent Events Continued

Notes Payable Continued