

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

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
x
EXCHANGE ACT OF 1934**

For the Quarterly Period Ended June 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 (I.R.S. Employer
Incorporation or Organization) 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

Edgar Filing: BioRestorative Therapies, Inc. - Form 10-Q

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

As of August 16, 2013, there were 16,959,053 shares of the issuer's common stock outstanding.

BIORESTORATIVE THERAPIES, INC. & SUBSIDIARIES

(A COMPANY IN THE DEVELOPMENT STAGE)

Table of Contents

PART I

FINANCIAL INFORMATION

ITEM 1. Financial Statements.

Condensed Consolidated Balance Sheets as of June 30, 2013 (Unaudited) and December 31, 2012 1

Unaudited Condensed Consolidated Statements of Operations for the Three and Six Months Ended June 30, 2013 and 2012 and for the Period from December 30, 2008 (Inception) to June 30, 2013 2

Unaudited Condensed Consolidated Statement of Changes in Stockholders' Deficiency for the Six Months Ended June 30, 2013 3

Unaudited Condensed Consolidated Statements of Cash Flows for the Six Months Ended June 30, 2013 and 2012 and for the Period from December 30, 2008 (Inception) to June 30, 2013 4

Notes to Unaudited Condensed Consolidated Financial Statements 6

ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations. 18

ITEM 3. Quantitative and Qualitative Disclosures About Market Risk. 25

ITEM 4. Controls and Procedures. 25

PART II

OTHER INFORMATION

ITEM 1. Legal Proceedings. 26

ITEM 1A. Risk Factors. 26

ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds. 26

ITEM 3. Defaults Upon Senior Securities. 27

ITEM 4. Mine Safety Disclosures. 27

ITEM 5. Other Information.	27
ITEM 6. Exhibits.	27
Signatures.	28

BIORESTORATIVE THERAPIES, INC. & SUBSIDIARIES**(A COMPANY IN THE DEVELOPMENT STAGE)****Condensed Consolidated Balance Sheets**

	June 30, 2013 (unaudited)	December 31, 2012
Assets		
Current Assets:		
Cash	\$ 119	\$ 363
Inventories	13,786	12,484
Prepaid expenses and other current assets	52,305	18,433
Total Current Assets	66,210	31,280
Property and equipment, net	41,208	59,407
Intangible assets, net	1,142,451	1,177,357
Total Assets	\$ 1,249,869	\$ 1,268,044
Liabilities and Stockholders' Deficiency		
Current Liabilities:		
Accounts payable	\$ 1,003,043	\$ 771,429
Accrued expenses and other current liabilities	1,371,885	1,082,842
Current portion of notes payable, net of debt discount of \$29,919 and \$42,000 at June 30, 2013 and December 31, 2012, respectively	979,081	961,685
Total Current Liabilities	3,354,009	2,815,956
Notes payable, non-current portion, net of debt discount of \$368,494 and \$34,719 at June 30, 2013 and December 31, 2012, respectively	3,631,506	3,593,781
Total Liabilities	6,985,515	6,409,737
Commitments and contingencies		
Stockholders' Deficiency:		
Preferred stock, \$0.01 par value; Authorized, 1,000,000 shares; none issued and outstanding at June 30, 2013 and December 31, 2012	-	-
Common stock, \$0.001 par value; Authorized, 100,000,000 shares; Issued 17,299,579 and 15,443,484 shares at June 30, 2013 and December 31, 2012, respectively; Outstanding 16,740,958 and 14,884,863 shares at June 30, 2013 and December 31, 2012, respectively;	17,300	15,443
Additional paid-in capital	11,157,467	8,936,084

Edgar Filing: BioRestorative Therapies, Inc. - Form 10-Q

Deficit accumulated during development stage	(16,878,413)	(14,061,220)
Treasury stock, at cost, 558,621 shares at June 30, 2013 and December 31, 2012	(32,000)	(32,000)
Total Stockholders' Deficiency	(5,735,646)	(5,141,693)
Total Liabilities and Stockholders' Deficiency	\$1,249,869	\$1,268,044

See Notes to these Condensed Consolidated Financial Statements

1 | Page

BIORESTORATIVE THERAPIES, INC. & SUBSIDIARIES**(A COMPANY IN THE DEVELOPMENT STAGE)****Condensed Consolidated Statements of Operations****(unaudited)**

	For The Three Months Ended June 30, 2013		For The Six Months Ended June 30, 2013		Period From December 30, 2008 (Inception) to June 30, 2013
	2013	2012	2013	2012	2013
Revenues	\$425	\$10,000	\$1,555	\$10,000	\$ 17,144
Cost of goods sold	36	-	198	-	1,505
Gross Profit	389	10,000	1,357	10,000	15,639
Operating Expenses					
Marketing and promotion	35,711	30,609	65,592	70,596	505,390
Consulting	140,389	404,483	370,505	822,232	4,323,981
Research and development	372,916	119,349	773,358	173,049	1,729,755
General and administrative	565,251	794,759	1,205,361	1,607,548	8,227,597
Total Operating Expenses	1,114,267	1,349,200	2,414,816	2,673,425	14,786,723
Loss From Operations	(1,113,878)	(1,339,200)	(2,413,459)	(2,663,425)	(14,771,084)
Other Income (Expense)					
Other income	-	-	-	-	11,457
Interest expense	(32,035)	(164,061)	(229,903)	(291,158)	(1,110,214)
Amortization of debt discount	(105,282)	(89,250)	(166,631)	(155,387)	(1,052,523)
Loss on extinguishment of notes payable	-	(53,640)	(7,200)	(53,640)	(76,908)
Gain on settlement of note and payables, net	-	-	-	23,077	110,495
Total Other Expense	(137,317)	(306,951)	(403,734)	(477,108)	(2,117,693)
Net Loss	\$(1,251,195)	\$(1,646,151)	\$(2,817,193)	\$(3,140,533)	\$(16,888,777)

Edgar Filing: BioRestorative Therapies, Inc. - Form 10-Q

Net Loss Per Share				
- Basic and Diluted	\$(0.08) \$(0.12) \$(0.18) \$(0.25

Weighted Average Number of Common				
Shares Outstanding				
- Basic and Diluted	16,502,710	13,169,894	15,908,635	12,366,461

See Notes to these Condensed Consolidated Financial Statements

2 | Page

BIORESTORATIVE THERAPIES, INC. & SUBSIDIARIES**(A COMPANY IN THE DEVELOPMENT STAGE)****Condensed Consolidated Statement of Changes in Stockholders' Deficiency****For the Six Months Ended June 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	487,986	-	-	-	488,325
Shares issued in satisfaction of accrued interest - (at \$0.80)	266,250	266	212,734	-	-	-	213,000

Edgar Filing: BioRestorative Therapies, Inc. - Form 10-Q

Shares issued for consulting services - (at \$0.80)	63,334	63	50,604	-	-	-	50,667
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 \$0.45)	102,583	103	46,059	-	-	-	46,162
Shares issued in exchange of notes payable - (at \$0.65)	124,900	125	81,060	-	-	-	81,185
Stock-based compensation	-	-	315,144	-	-	-	315,144
Net loss	-	-	-	(2,817,193)	-	-	(2,817,193)
Balance - June 30, 2013	17,299,540	\$17,300	\$11,157,467	\$(16,878,413)	(558,621)	\$(32,000)	\$(5,735,646)

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 Six Months Ended		Period From
	June 30,	2012	December 30,
	2013		2008 (Inception)
			to June 30,
			2013
Cash Flows From Operating Activities			
Net loss	\$(2,817,193)	\$(3,140,533)	\$(16,888,777)
Adjustments to reconcile net loss to net cash used in operating activities:			
Amortization of debt discount	166,631	155,387	1,052,523
Depreciation and amortization	53,105	36,389	288,691
Loss on sale of property and equipment	-	-	21,614
Stock-based compensation	369,868	820,008	4,500,265
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	(1,302)	-	(13,786)
Prepaid expenses and other current assets	(33,872)	12,362	(52,305)
Accounts payable	231,614	13,811	949,532
Accrued expenses and other current liabilities	549,690	421,424	1,774,294
Total Adjustments	1,342,934	1,489,944	8,487,241
Net Cash Used In Operating Activities	(1,474,259)	(1,650,589)	(8,401,536)
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	563,000	1,969,185	6,402,139

Edgar Filing: BioRestorative Therapies, Inc. - Form 10-Q

Repayments of notes payable	-	(50,000)	(560,222)
Advances from director and officer	75,385	22,000	224,443
Repayment of advances from director and officer	(69,370)	(22,000)	(218,428)
Proceeds from exercise of warrants	-	-	1,875
Repurchase of common stock	-	-	(32,000)
Sales of common stock and warrants for cash	905,000	675,000	3,721,300
Net Cash Provided By Financing Activities	1,474,015	2,594,185	9,539,107
Net (Decrease) Increase In Cash	(244)	(58,937)	119
Cash - Beginning	363	71,508	-
Cash - Ending	\$ 119	\$ 12,571	\$ 119

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 Six Months Ended		Period from December 30, 2008 (Inception) to June 30, 2013
	June 30, 2013	2012	
Supplemental Disclosures of Cash Flow Information:			
Cash paid during the period for:			
Interest	\$ 29,101	\$ 266,381	\$ 630,918
Non-cash investing and financing activities:			
Shares and warrants issued in connection with issuance or extension of notes payable	\$ 488,325	\$ 194,053	\$ 1,443,965
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	\$ 247,047	\$ 600,000	\$ 1,071,255
Warrant issued as partial consideration for intangible asset	\$ -	\$ 226,500	\$ 226,500
Reclassification of accrued interest in connection with note payable issuance	\$ 53,100	\$ 6,185	\$ 59,285

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 June 30, 2013, for the three and six months ended June 30, 2013 and 2012 and for the period from December 30, 2008 (inception) to June 30, 2013. The results of operations for the three and six months ended June 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 June 30, 2013, the Company had a working capital deficiency and a stockholders' deficiency of \$3,287,799 and \$5,735,646, respectively. The Company has not generated significant revenues and incurred net losses of \$16,888,777 during the period from December 30, 2008 (inception) through June 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 June 30, 2013, the Company has raised \$171,000 through debt financing, has extended the due date for the repayment of \$25,000 of debt until December 2013 and has converted certain notes payable with an aggregate principal balance of \$80,000 and accrued interest of \$1,253 into common stock. As a result, the Company expects that the cash it has available will fund its operations through September 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 \$385,000 and aggregate deferred interest of \$35,000 which are either due or past due. 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 June 30, 2013, 80% 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 June 30, 2013, the Company had \$183 deposited with an offshore financial institution which is not insured by the Federal Deposit Insurance Corporation.

Revenue Recognition

For the three and six months ended June 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:

	June 30,	
	2013	2012
Options	3,963,000	2,959,000
Warrants	4,370,890	2,580,000
Total potentially dilutive shares	8,333,890	5,539,000

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