

BioRestorative Therapies, Inc.
Form 10-Q
November 14, 2017

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, 2017

**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)

| | |
|--|--|
| Delaware (State or Other Jurisdiction of Incorporation or Organization) | 91-1835664 (I.R.S. Employer Identification No.) |
| 40 Marcus Drive, Melville, New York (Address of Principal Executive Offices) | 11747 (Zip Code) |

Registrant’s telephone number, including area code: (631) 760-8100

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 (§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 No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

| | | | |
|-------------------------|--|---------------------------|-------------------------------------|
| Large accelerated filer | <input type="checkbox"/> | Accelerated filer | <input type="checkbox"/> |
| Non-accelerated filer | <input type="checkbox"/> (Do not check if a smaller reporting company) | Smaller reporting company | <input checked="" type="checkbox"/> |
| Emerging growth company | <input type="checkbox"/> | | |

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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, 2017, there were 5,658,856 shares of common stock outstanding.

BIORESTORATIVE THERAPIES, INC. & SUBSIDIARIES

FORM 10-Q

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2017

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PART I – FINANCIAL INFORMATION**ITEM 1. Financial Statements.****BIORESTORATIVE THERAPIES, INC. & SUBSIDIARIES****Condensed Consolidated Balance Sheets**

| | September 30, 2017 (unaudited) | December 31, 2016 |
|--|--------------------------------------|----------------------|
| Assets | | |
| Current Assets: | | |
| Cash | \$734 | \$31,822 |
| Accounts receivable | 16,000 | 6,000 |
| Prepaid expenses and other current assets | 19,603 | 35,578 |
| Total Current Assets | 36,337 | 73,400 |
| Property and equipment, net | 369,575 | 508,594 |
| Intangible assets, net | 907,673 | 963,845 |
| Security deposit | 34,176 | 34,176 |
| Deferred offering costs | 70,907 | - |
| Total Assets | \$1,418,668 | \$1,580,015 |
| Liabilities and Stockholders' Deficiency | | |
| Current Liabilities: | | |
| Accounts payable | \$2,718,428 | \$2,283,981 |
| Accrued expenses and other current liabilities | 2,079,672 | 1,574,659 |
| Accrued interest | 262,894 | 127,375 |
| Current portion of notes payable, net of debt discount of \$83,720 and \$152,720 at September 30, 2017 and December 31, 2016, respectively | 2,873,153 | 1,858,845 |
| Derivative liabilities | 110,840 | - |
| Total Current Liabilities | 8,044,987 | 5,844,860 |
| Accrued expenses, non-current portion | - | 430,000 |
| Accrued interest, non-current portion | 2,275 | 7,681 |
| | 61,686 | 297,756 |

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Notes payable, non-current portion, net of debt discount of \$2,104 and \$27,244 at September 30, 2017 and December 31, 2016, respectively

| | | |
|---|--------------|--------------|
| Total Liabilities | 8,108,948 | 6,580,297 |
| Commitments and contingencies | | |
| Stockholders' Deficiency: | | |
| Preferred stock, \$0.01 par value; Authorized, 5,000,000 shares; none issued and outstanding at September 30, 2017 and December 31, 2016 | - | - |
| Common stock, \$0.001 par value; Authorized, 30,000,000 shares; Issued and outstanding 5,605,457 and 4,699,035 shares at September 30, 2017 and December 31, 2016, respectively | 5,605 | 4,699 |
| Additional paid-in capital | 42,848,938 | 36,954,817 |
| Accumulated deficit | (49,544,823) | (41,959,798) |
| Total Stockholders' Deficiency | (6,690,280) | (5,000,282) |
| Total Liabilities and Stockholders' Deficiency | \$1,418,668 | \$1,580,015 |

See Notes to these Condensed Consolidated Financial Statements

BIORESTORATIVE THERAPIES, INC. & SUBSIDIARIES**Condensed Consolidated Statements of Operations****(unaudited)**

| | For The Three Months Ended September 30, | | For The Nine Months Ended September 30, | |
|---|---|-----------------|--|-----------------|
| | 2017 | 2016 | 2017 | 2016 |
| Revenues | \$ 16,000 | \$ 5,000 | \$ 43,000 | \$ 30,280 |
| Cost of sales | - | - | - | 81 |
| Gross Profit | 16,000 | 5,000 | 43,000 | 30,199 |
| Operating Expenses | | | | |
| Marketing and promotion | 6,988 | 15,632 | 45,111 | 56,327 |
| Consulting | 523,917 | 437,717 | 1,863,361 | 1,272,530 |
| Research and development | 490,654 | 656,169 | 1,907,232 | 2,130,901 |
| General and administrative | 738,077 | 610,694 | 3,029,318 | 2,495,933 |
| Total Operating Expenses | 1,759,636 | 1,720,212 | 6,845,022 | 5,955,691 |
| Loss From Operations | (1,743,636) | (1,715,212) | (6,802,022) | (5,925,492) |
| Other Expense | | | | |
| Interest expense | (114,202) | (57,429) | (307,406) | (145,277) |
| Amortization of debt discount | (159,977) | (35,387) | (376,886) | (437,856) |
| Loss on extinguishment of notes payable, net | - | (25,850) | (59,938) | (42,510) |
| Change in fair value of derivative liabilities | (15,311) | - | (15,311) | - |
| Warrant modification expense | (18,962) | - | (23,462) | (28,486) |
| Total Other Expense | (308,452) | (118,666) | (783,003) | (654,129) |
| Net Loss | \$ (2,052,088) | \$ (1,833,878) | \$ (7,585,025) | \$ (6,579,621) |
| Net Loss Per Share - Basic and Diluted | \$ (0.37) | \$ (0.43) | \$ (1.42) | \$ (1.67) |
| Weighted Average Number of Common Shares Outstanding - Basic and Diluted | 5,556,378 | 4,282,968 | 5,324,321 | 3,946,346 |

See Notes to these Condensed Consolidated Financial Statements

BIORESTORATIVE THERAPIES, INC. & SUBSIDIARIES**Condensed Consolidated Statement of Changes in Stockholders' Deficiency****For the Nine Months Ended September 30, 2017****(unaudited)**

| | Common Stock Shares | Amount | Additional Paid-In Capital | Accumulated Deficit | Total |
|---|------------------------|----------|----------------------------------|------------------------|---------------|
| Balance - December 31, 2016 | 4,699,035 | \$ 4,699 | \$36,954,817 | \$(41,959,798) | \$(5,000,282) |
| Shares and warrants issued for cash | 341,335 | 341 | 1,023,659 | - | 1,024,000 |
| Exercise of warrants for purchase of common stock | 50,000 | 50 | 174,950 | - | 175,000 |
| Conversion of notes payable and accrued interest into common stock | 179,150 | 179 | 388,924 | - | 389,103 |
| Shares and warrants issued in exchange for notes payable and accrued interest | 132,082 | 132 | 421,170 | - | 421,302 |
| Shares and warrants issued in satisfaction of accrued services | 165,002 | 165 | 588,427 | - | 588,592 |
| Shares and warrants issued or modified and recorded as debt discount in connection with notes payable | 28,853 | 29 | 173,410 | - | 173,439 |
| Reclassification of derivative liabilities to equity | - | - | 4,780 | - | 4,780 |
| Beneficial conversion features related to convertible notes payable | - | - | 10,596 | - | 10,596 |
| Warrant modifications | - | - | 23,462 | - | 23,462 |
| Stock-based compensation: | | | | | |
| - common stock | 10,000 | 10 | 19,990 | - | 20,000 |
| - options and warrants | - | - | 3,064,753 | - | 3,064,753 |

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| | | | | | |
|------------------------------|-----------|----------|--------------|----------------|---------------|
| Net loss | - | - | - | (7,585,025) | (7,585,025) |
| Balance - September 30, 2017 | 5,605,457 | \$ 5,605 | \$42,848,938 | \$(49,544,823) | \$(6,690,280) |

See Notes to these Condensed Consolidated Financial Statements

BIORESTORATIVE THERAPIES, INC. & SUBSIDIARIES**Condensed Consolidated Statements of Cash Flows****(unaudited)**

| | For The Nine Months Ended September 30, | |
|---|---|---------------|
| | 2017 | 2016 |
| Cash Flows From Operating Activities | | |
| Net loss | \$(7,585,025) | \$(6,579,621) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Amortization of debt discount | 376,886 | 437,856 |
| Accretion of interest expense | 133,431 | 15,699 |
| Depreciation and amortization | 195,191 | 192,720 |
| Stock-based compensation | 3,084,753 | 1,866,242 |
| Loss on extinguishment of note payables, net | 59,938 | 42,510 |
| Loss on settlement of payables | 100,895 | - |
| Change in fair value of derivative liabilities | 15,311 | - |
| Warrant modification expense | 23,462 | 28,486 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | (10,000) | 88,375 |
| Prepaid expenses and other current assets | 15,975 | 8,023 |
| Accounts payable | 409,992 | (421,883) |
| Accrued interest, expenses and other current liabilities | 685,103 | 380,556 |
| Total Adjustments | 5,090,937 | 2,638,584 |
| Net Cash Used In Operating Activities | (2,494,088) | (3,941,037) |
| Cash Flows From Investing Activities | | |
| Purchases of property and equipment | - | (181,942) |
| Net Cash Used In Investing Activities | - | (181,942) |
| Cash Flows From Financing Activities | | |
| Proceeds from notes payable | 1,385,000 | 1,395,000 |
| Repayments of notes payable | (114,000) | (476,500) |
| Advances from an officer and a family member of an officer | 43,515 | 127,060 |
| Repayments of advances from an officer and a director | (50,515) | (214,090) |
| Proceeds from exercise of warrants | 175,000 | 212,898 |

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| | | |
|---|-----------|------------|
| Sales of common stock and warrants for cash | 1,024,000 | 2,918,372 |
| Net Cash Provided By Financing Activities | 2,463,000 | 3,962,740 |
| Net Decrease In Cash | (31,088) | (160,239) |
| Cash - Beginning | 31,822 | 166,555 |
| Cash - Ending | \$734 | \$6,316 |

See Notes to these Condensed Consolidated Financial Statements

BIORESTORATIVE THERAPIES, INC. & SUBSIDIARIES**Consolidated Statements of Cash Flows -- Continued****(unaudited)**

| | For The Nine Months Ended September 30, | |
|---|---|------------|
| | 2017 | 2016 |
| Supplemental Disclosures of Cash Flow Information: | | |
| Cash paid during the period for: | | |
| Interest | \$ 11,000 | \$ 30,406 |
| Non-cash investing and financing activities: | | |
| Derivative liabilities recorded as debt discount | \$ 100,309 | \$- |
| Shares and warrants issued or modified and recorded as debt discount in connection with notes payable | \$ 173,439 | \$ 158,944 |
| Shares and warrants issued in exchange for notes payable and accrued interest | \$ 421,302 | \$ 257,330 |
| Conversion of notes payable and accrued interest into common stock | \$ 389,103 | \$ 325,921 |
| Shares issued in satisfaction of accrued consulting and director services | \$ 588,592 | \$ 27,553 |
| Reclassification of derivative liabilities to equity | \$ 4,780 | \$- |
| Beneficial conversion features set up as debt discount | \$ 10,596 | \$ 221,004 |
| Retirement of treasury shares | \$- | \$ 48,875 |
| Offering costs in accounts payable and accrued expenses | \$ 70,907 | \$- |

See Notes to these Condensed Consolidated Financial Statements

BIORESTORATIVE THERAPIES, INC. & SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

(unaudited)

Note 1 – Business Organization and Nature of Operations

BioRestorative Therapies, Inc. has one wholly-owned subsidiary, Stem Pearls, LLC (“Stem Pearls”). Stem Cell Cayman Ltd. (“Cayman”), which was formed in the Cayman Islands as a wholly-owned subsidiary of the Company, was dissolved during the three months ended March 31, 2017. BioRestorative Therapies, Inc. and its subsidiaries are referred to collectively as “BRT” or the “Company” (See Note 3 – Summary of Significant Accounting Policies – Principles of Consolidation). BRT develops therapeutic products and medical therapies using cell and tissue protocols, primarily involving adult stem cells. BRT’s website is at www.biorestorative.com. BRT is currently developing a Disc/Spine Program referred to as “brtxDISC”. Its lead cell therapy candidate, *BRTX-100*, is a product formulated from autologous (or a person’s own) cultured mesenchymal stem cells collected from the patient’s bone marrow. The product is intended to be used for the non-surgical treatment of protruding and bulging lumbar discs in patients suffering from chronic lumbar disc disease. BRT is also engaging in research efforts with respect to a platform technology utilizing brown adipose (fat) for therapeutic purposes to treat type 2 diabetes, obesity and other metabolic disorders and has labeled this initiative its ThermoStem Program. Through the program, BRT is developing a cell-based therapy to target type 2 diabetes, obesity and other metabolic disorders using brown adipose (fat) derived stem cells to generate brown adipose tissue (“BAT”). BAT is intended to mimic naturally occurring brown adipose depots that regulate metabolic homeostasis in humans. Further, BRT has licensed a patented curved needle device that is a needle system designed to deliver cells and/or other therapeutic products or material to the spine and discs. BRT has developed a human cellular extract that has been demonstrated in *in vitro* studies to increase the production of collagen and fibronectin, which are proteins that are essential to combating the aging of cells. BRT offers plant stem cell-based facial creams and beauty products under the Stem Pearl brand.

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) for interim financial information. Accordingly, they do not include all of the information and disclosures required by U.S. 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 unaudited condensed consolidated financial statements of the Company as of September 30, 2017 and for the three and nine months ended September 30, 2017 and 2016. The results of operations for the nine months ended September 30, 2017 are not necessarily indicative of the operating results for the full year ending December 31, 2017 or any other period. These unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and related disclosures of the Company as of December 31, 2016 and for the year then ended, which were filed with the Securities and Exchange Commission on Form 10-K on March 22, 2017.

Note 2 – Going Concern and Management’s Plans

As of September 30, 2017, the Company had a working capital deficiency and a stockholders’ deficiency of \$8,008,650 and \$6,690,280, respectively. During the three and nine months ended September 30, 2017, the Company incurred net losses of \$2,052,088 and \$7,585,025, respectively. These conditions indicate that there is substantial doubt about the Company’s ability to continue as a going concern within one year after the financial statement issuance date.

The accompanying unaudited condensed consolidated financial statements have been prepared in conformity with U.S. 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.

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. 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 or, 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.

BIORESTORATIVE THERAPIES, INC. & SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

(unaudited)

Note 2 – Going Concern and Management’s Plans – Continued

Subsequent to September 30, 2017, the Company has received aggregate equity and debt proceeds of \$30,000 and \$964,950, respectively, debt (inclusive of accrued interest) of \$67,527 has been converted into or exchanged for common stock, and the due date for the repayment of \$1,088,167 of debt has been extended to dates between October 2017 and February 2018. As a result, the Company expects to have the cash required to fund its operations through December 2017. While there can be no assurance that it will be successful, the Company is in negotiations to raise additional capital. As of the filing date of this report, the Company has notes payable with an aggregate principal balance of \$557,500 which are 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 9 – 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 Cayman and Stem Pearls. All significant intercompany transactions have been eliminated in the consolidation. As discussed above, Cayman, which had no material assets, liabilities or operations (other than intercompany balances) and is no longer needed to facilitate certain financings, was dissolved in March 2017.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the 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, warrants issued in connection with notes payable, derivative liabilities 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

One license and the related royalties comprised all of the Company's revenue during the three and nine months ended September 30, 2017. See Revenue Recognition below.

Deferred Offering Costs

Deferred offering costs, which primarily consist of direct, incremental professional fees incurred in connection with public offerings of the Company's common stock and warrants to purchase shares of the Company's common stock, are capitalized as non-current assets on the balance sheet. As of September 30, 2017 the Company incurred deferred offering costs in the amount of \$70,907 and offset accounts payable and accrued expenses. Upon any consummation of the public offering, the deferred offering costs will be offset against the equity offering proceeds.

Revenue Recognition

The Company's policy is to recognize product sales when the risk of loss and title to the product transfers to the customer, after estimating 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. During the three and nine months ended September 30, 2017, the Company did not recognize revenue related to sales of Stem Pearls skincare products. During the three and nine months ended September 30, 2016, the Company recognized revenue related to sales of Stem Pearls skincare products of \$0 and \$280, respectively.

BIORESTORATIVE THERAPIES, INC. & SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

(unaudited)

Note 3 – Summary of Significant Accounting Policies – Continued

Revenue Recognition - Continued

In November 2015, the Company and a stem cell treatment company (“SCTC”) entered into an amendment to a January 27, 2012 license agreement between them. Pursuant to the amendment, effective November 30, 2015, the Company granted to the SCTC a non-exclusive sublicense to use, and the right to sublicense to third parties the right to use, in certain locations in the United States, certain intellectual property related to stem cell disc procedures (that originally was licensed to the Company by the SCTC pursuant to the January 27, 2012 license agreement). In consideration of the sublicense, the SCTC has agreed to pay the Company royalties on a per disc procedure basis. During the three and nine months ended September 30, 2017, the Company recognized \$16,000 and \$43,000, respectively, of revenue related to the Company’s sublicense agreement. During the three and nine months ended September 30, 2016, the Company recognized \$5,000 and \$30,000, respectively, of revenue related to the Company’s sublicense agreement.

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 earnings per share reflects the potential dilution that could occur if securities or other instruments to issue common stock were exercised or converted into common stock.

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

| | | |
|---------|---------------|-----------|
| | September 30, | |
| | 2017 | 2016 |
| Options | 3,275,700 | 2,175,950 |

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| | | |
|-----------------------------------|-----------|-----------|
| Warrants | 3,644,956 | 2,750,953 |
| Convertible notes | 509,542 | 79,943 |
| Total potentially dilutive shares | 7,430,198 | 5,006,846 |

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 registered, the Company estimates the fair value of the awards granted under the Plan based on the market value of its freely tradable common stock as reported on the OTCQB market. 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. Upon the exercise of an option or warrant, the Company issues new shares of common stock out of its authorized shares.

Fair Value of Financial Instruments

The Company measures the fair value of financial assets and liabilities based on the guidance of ASC 820 "Fair Value Measurements and Disclosures" ("ASC 820").

ASC 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC 820 also establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. ASC 820 describes three levels of inputs that may be used to measure fair value:

BIORESTORATIVE THERAPIES, INC. & SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

(unaudited)

Note 3 – Summary of Significant Accounting Policies – Continued

Fair Value of Financial Instruments - Continued

Level 1 — quoted prices in active markets for identical assets or liabilities

Level 2 — quoted prices for similar assets and liabilities in active markets or inputs that are observable

Level 3 — inputs that are unobservable (for example, cash flow modeling inputs based on assumptions)

The carrying amounts of accrued liabilities approximate fair value due to the short-term nature of these instruments. The carrying amounts of our short-term credit obligations approximate fair value because the effective yields on these obligations, which include contractual interest rates, taken together with other features such as concurrent issuance of warrants, are comparable to rates of returns for instruments of similar credit risk.

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 unaudited condensed consolidated financial statements, except as disclosed.

Recently Issued Accounting Pronouncements

In May 2017, the Financial Accounting Standards Board (the “FASB”) issued Accounting Standards Update (“ASU”) No. 2017-09, “Compensation—Stock Compensation (Topic 718)” (“ASU 2017-09”). ASU 2017-09 provides clarity on the accounting for modifications of stock-based awards. ASU 2017-09 requires adoption on a prospective basis in the annual and interim periods for our fiscal year ending December 31, 2019 for share-based payment awards modified on or after the adoption date. The Company is currently evaluating the effect that adopting this new accounting guidance will have on its consolidated cash flows and related disclosures.

In July 2017, the FASB issued ASU No. 2017-11, “Earnings Per Share (Topic 260); Distinguishing Liabilities from Equity (Topic 480); Derivatives and Hedging (Topic 815)”: (Part I) Accounting for Certain Financial Instruments with Down Round Features, (Part II) Replacement of the Indefinite Deferral for Mandatorily Redeemable Financial Instruments of Certain Nonpublic Entities and Certain Mandatorily Redeemable Noncontrolling Interests with a Scope Exception (“ASU 2017-11”). ASU 2017-11 allows companies to exclude a down round feature when determining whether a financial instrument (or embedded conversion feature) is considered indexed to the entity’s own stock. As a result, financial instruments (or embedded conversion features) with down round features may no longer be required to be accounted for as derivative liabilities. A company will recognize the value of a down round feature only when it is triggered and the strike price has been adjusted downward. For equity-classified freestanding financial instruments, an entity will treat the value of the effect of the down round as a dividend and a reduction of income available to common shareholders in computing basic earnings per share. For convertible instruments with embedded conversion features containing down round provisions, entities will recognize the value of the down round as a beneficial conversion discount to be amortized to earnings. ASU 2017-11 is effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. Early adoption is permitted. The guidance in ASU 2017-11 can be applied using a full or modified retrospective approach. The Company is currently evaluating the effect that adopting this new accounting guidance will have on its consolidated cash flows and related disclosures.

BIORESTORATIVE THERAPIES, INC. & SUBSIDIARIES**Notes to Condensed Consolidated Financial Statements****(unaudited)**

Note 4 – Accrued Expenses and Other Current Liabilities

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

| | September 30, 2017 | December 31, 2016 |
|---|--------------------------|-------------------------|
| Credit card payable | \$ 1,235 | \$ 1,778 |
| Accrued payroll | 961,450 | 1,105,293 |
| Accrued research and development expenses | 561,175 | 581,175 |
| Accrued general and administrative expenses | 511,350 | 263,468 |
| Deferred rent | 44,462 | 52,945 |
| Total accrued expenses | \$ 2,079,672 | \$ 2,004,659 |

During the nine months ended September 30, 2017, the Company received non-interest bearing advances in the amount of \$43,515 from an officer and a family member of an officer of the Company and repaid an aggregate of \$50,515 of non-interest bearing advances from a director and an officer of the Company.

Effective March 1, 2017, the Company entered into an exchange agreement with the Chairman of the Company's Scientific Advisory Board, pursuant to which an aggregate of \$175,000 of accrued consulting fees were exchanged for 58,334 shares of common stock of the Company and, in consideration thereof, the Company issued to such person an immediately vested five-year warrant for the purchase of 58,334 shares of common stock of the Company at an exercise price of \$4.00 per share. The common stock and warrants had an aggregate grant date value of \$211,752 and, as a result, the Company recorded a loss on settlement of payables of \$36,752 which is reflected within general and administrative expenses in the unaudited condensed consolidated statements of operations.

Effective March 1, 2017, the Company entered into exchange agreements with four non-employee directors of the Company, pursuant to which an aggregate of \$265,000 of accrued director fees were exchanged for an aggregate of 88,334 shares of common stock of the Company and, in consideration thereof, the Company issued to the directors

immediately vested five-year warrants for the purchase of an aggregate of 88,334 shares of common stock of the Company at an exercise price of \$4.00 per share. The aggregate value of the shares and warrants was \$320,652, and accordingly the Company recorded a loss on settlement of payables of \$55,652 which is reflected within general and administrative expenses in the unaudited condensed consolidated statements of operations.

Effective July 18, 2017, the Company entered into an exchange agreement with a certain vendor of the Company, pursuant to which \$17,697 of accounts payable were exchanged for 8,334 shares of common stock of the Company. In consideration thereof, the Company issued to the vendor immediately vested five-year warrants for the purchase of 2,000 shares of common stock of the Company at an exercise price of \$4.00 per share. The aggregate value of the shares and warrants was \$19,888, and accordingly the Company recorded a loss on settlement of payables of \$2,191 which is reflected within general and administrative expenses in the unaudited condensed consolidated statements of operations.

See Note 6 – Commitments and Contingencies – Consulting Agreements for details regarding an additional exchange of accrued consulting fees for shares of common stock and warrants.

BIORESTORATIVE THERAPIES, INC. & SUBSIDIARIES**Notes to Condensed Consolidated Financial Statements****(unaudited)**

Note 5 – Notes Payable

A summary of the notes payable activity during the nine months ended September 30, 2017 is presented below:

| | Related Party Notes | Convertible Notes | Other Notes | Debt Discount | Total |
|---------------------------------|---------------------------|----------------------|-----------------|------------------|-------------|
| Outstanding, December 31, 2016 | \$697,500 | \$390,000 | [1] \$1,249,065 | \$(179,964) | \$2,156,601 |
| Issuances | 175,000 | 408,333 | 925,000 | - | 1,508,333 |
| Extensions | - | 637,250 | [2] (637,250) | - | - |
| Exchanges for equity | (97,500) | (50,000) | (203,750) | - | (351,250) |
| Conversions to equity | - | (367,485) | - | - | (367,485) |
| Repayments | (50,000) | - | (64,000) | - | (114,000) |
| Recognition of debt discount | - | - | - | (407,677) | (407,677) |
| Accretion of interest expense | - | - | 8,500 | 124,931 | 133,431 |
| Amortization of debt discount | - | - | - | 376,886 | 376,886 |
| Outstanding, September 30, 2017 | \$725,000 | \$ 1,018,098 | [1] \$1,277,565 | \$(85,824) | \$2,934,839 |

As of September 30, 2017, a designated portion of convertible notes with an aggregate principal balance of \$609,765 was convertible into shares of common stock at the election of the holder any time immediately until the balance has been paid in full. As of September 30, 2017 and December 31, 2016, a designated portion of convertible notes with an aggregate principal balance of \$408,333 and \$390,000, respectively, was convertible [1] into shares of common stock at the election of the Company near maturity. In the event the Company exercised or exercises that conversion right on a designated portion of such principal balance, the holder had or has the right to accelerate the conversion of up to \$327,916 and \$296,250 of principal into shares of common stock at September 30, 2017 and December 31, 2016, respectively, at the same conversion price.

In connection with certain note extensions during the nine months ended September 30, 2017, the Company and a certain lender agreed to add embedded conversion options, pursuant to which each payment of principal and the [2] respective accrued interest is convertible into shares of the Company's common stock at the election of the lender any time immediately until the balance has been paid in full.

Related Party Notes

As of September 30, 2017 and December 31, 2016, related party notes consisted of notes payable issued to certain directors of the Company and the Tuxis Trust (the "Trust"). A director and principal shareholder of the Company serves as the trustee of Trust, which was established for the benefit of his immediate family.

During the nine months ended September 30, 2017, the Company issued a director and principal shareholder of the Company a note in the principal amount of \$175,000 (the "\$175,000 Loan"), which bears interest at a rate of 15% per annum payable at maturity. The maturity date of the note is December 1, 2017 (subject to acceleration under certain circumstances). The note is secured by the grant of a security interest in the Company's equipment and intellectual property.

During the nine months ended September 30, 2017, the Company and the Trust agreed to extend the maturity date of a note payable with a principal balance of \$500,000 from July 1, 2017 to December 1, 2017 (subject to acceleration under certain circumstances). In connection with the note extension, the Company increased the effective rate at which the note bears interest from 10% to 15% effective July 1, 2017. The note is secured by the grant of a security interest in the Company's equipment and intellectual property.

During the nine months ended September 30, 2017, the Company and a director of the Company agreed to extend the maturity date of a note payable with a principal balance of \$50,000 from February 2017 to February 2018. In connection with the extension, the Company issued the director a five-year, immediately vested warrant to purchase 5,000 shares of common stock at an exercise price of \$4.00 per share. The grant date fair value of the warrant of \$8,050 was recorded as debt discount and is being amortized over the remaining term of the note.

BIORESTORATIVE THERAPIES, INC. & SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

(unaudited)

Note 5 – Notes Payable – Continued

Related Party Notes – Continued

During the nine months ended September 30, 2017, the Company and certain related party lenders agreed to exchange certain related party notes with an aggregate principal balance of \$97,500 and aggregate accrued interest of \$288 into an aggregate of 32,597 shares of common stock and immediately vested five-year warrants to purchase an aggregate of 32,597 shares of common stock at an exercise price of \$4.00 per share. The common stock and warrants had an aggregate exchange date value of \$118,328 and, as a result, the Company recorded a loss on extinguishment of notes payable of \$20,540.

During the nine months ended September 30, 2017, the Company repaid an aggregate principal amount of \$50,000 of related party notes.

Convertible Notes

During the nine months ended September 30, 2017, the Company issued lenders convertible notes in the aggregate principal amount of \$350,000, which bear interest at a rate of 10% per annum payable at maturity. The convertible notes mature between dates in November 2017 to February 2018. Each payment of principal and the respective accrued interest 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 at a conversion price equal to between 50% to 60% of the fair market value of the Company's stock, depending on the particular convertible note; however, in no event shall the conversion price be less than a price between \$0.75 to \$1.00 per share, depending on the particular convertible note. Should the Company elect to convert any of the note principal and respective accrued interest, the holder will have the right to accelerate the conversion of the remaining outstanding principal and accrued interest of the note at the same conversion price. The Company will recognize the beneficial conversion feature of the note as debt discount at the time the contingently adjustable conversion ratio is resolved. In connection with the issuance of these convertible notes, the Company issued a certain lender 8,000 shares of common stock and a

certain other lender a five-year warrant to purchase 7,500 shares of common stock at an exercise price of \$4.00 per share. The aggregate relative fair value of the common stock and warrants of \$24,388 was recorded as an original issue discount and is being amortized over the terms of the respective notes.

During the nine months ended September 30, 2017, the Company issued a lender a note payable in the principal amount of \$83,333 of which \$25,000 of principal bears no interest and \$58,333 of principal bears interest at 10% per annum and is convertible into common stock. In connection with the issuance of the note, the Company received gross proceeds of \$75,000, and the difference of \$8,333 has been recorded as an original issue discount and will be amortized over the term of the note. The note is payable as follows: (i) \$25,000 of principal, which bears no interest and is not convertible into common stock, is payable three weeks from the issuance date, (ii) \$11,667 of principal and the respective interest on such principal is payable six months from the issuance date (the "First Maturity Date"), (iii) \$11,667 of principal and the respective interest on such principal is payable two weeks following the First Maturity Date, (iv) \$11,667 of principal and the respective accrued interest on such principal is payable four weeks following the First Maturity Date, (v) \$11,667 of principal and the respective interest on such principal is payable six weeks following the First Maturity Date, and (vi) \$11,667 of principal and the respective interest on such principal is payable eight weeks following the First Maturity Date. Excluding the \$25,000 of principal that is not convertible into common stock as described above, each payment of principal and the respective accrued interest 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 at a conversion price equal to 50% of the fair market value of the Company's stock; however, in no event shall the conversion price be less than \$0.75 per share. Should the Company elect to convert any of the note principal and respective accrued interest, the holder will have the right to accelerate the conversion of the remaining outstanding principal and accrued interest of the note at the same conversion price. The Company will recognize the beneficial conversion feature of the note as debt discount at the time the contingently adjustable conversion ratio is resolved. In connection with the issuance of this note, the Company issued the lender 3,500 shares of common stock with a relative fair value of \$6,458 which was recorded as an original issue discount and is being amortized over the term of the note.

BIORESTORATIVE THERAPIES, INC. & SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

(unaudited)

Note 5 – Notes Payable – Continued

Convertible Notes – Continued

During the nine months ended September 30, 2017, the Company and a certain lender agreed to exchange a certain convertible note with a principal balance of \$50,000 and accrued interest of \$2,712 into 29,280 shares of common stock. The common stock had an exchange date value of \$58,560 and, as a result, the Company recorded a loss on extinguishment of notes payable of \$5,848.

During the nine months ended September 30, 2017, the Company elected to convert certain convertible notes with an aggregate principal balance of \$367,485 and aggregate accrued interest of \$21,618 into an aggregate of 179,150 shares of common stock at conversion prices ranging from \$1.75 to \$2.77 per share.

During the nine months ended September 30, 2017, the Company and a lender agreed to extend the maturity dates of notes payable with an aggregate principal balance of \$637,250 with maturity dates that were near or at maturity to maturity dates ranging from October 1, 2017 through November 8, 2017. In connection with one of the note extensions, the Company issued the lender 2,500 shares of common stock. The issuance date fair value of the common stock of \$5,000 has been recorded as a debt discount and is being amortized over the term of the note. Additionally, in connection with one of the extensions, the Company incurred an extension fee in the amount \$8,500 which was accreted as interest expense and added to the principal balance of the note. Also, in connection with the note extensions, the Company increased the effective rate at which the notes bear interest from 0% to 8% on dates effective between August 2, 2017 and September 7, 2017. Also, in connection with the note extensions, the Company added embedded conversion options, pursuant to which each payment of principal and the respective accrued interest is convertible into shares of the Company's common stock at the election of the lender any time immediately until the balance has been paid in full at a conversion price equal to 80% of the fair market value of the Company's stock (subject to reduction to 70% under certain circumstances); however, generally the conversion price shall not be less than \$1.00 per share. The embedded conversion options of the notes were determined to be derivative liabilities. The aggregate issuance date value of the embedded conversion options was \$100,309, which was recorded as a debt discount and are being amortized over the terms of the respective convertible notes. See Note 9 – Fair Value Measurement for additional details.

During the nine months ended September 30, 2017, the contingently adjustable conversion ratio associated with certain convertible notes was resolved and such notes became convertible during the period. The Company estimated the intrinsic value of the embedded conversion option based upon the difference between the fair value of the underlying common stock at the commitment date of the note transaction and the effective conversion price embedded in the convertible note. During the nine months ended September 30, 2017, the Company recognized \$10,596, related to the beneficial conversion feature as debt discount which was immediately amortized.

Other Notes

During the nine months ended September 30, 2017, the Company issued lenders other notes in the aggregate principal amount of \$925,000 for aggregate gross proceeds of \$810,000, and the difference of \$115,000 has been recorded as an original issue discount and will be amortized over the terms of the respective notes (inclusive of \$25,000 of principal of a note payable as discussed above in Note 5 – Notes Payable – Convertible Notes). The other notes bear interest at rates between 0% to 12% per annum payable at maturity. The other notes matured or mature between dates in May 2017 to May 2018. In connection with the issuance of these other notes, the Company issued to certain lenders 14,853 shares of common stock and certain other lenders five-year warrants to purchase an aggregate of 55,000 shares of common stock at an exercise price of \$4.00 per share. The aggregate relative fair value of the common stock and warrants of \$102,603 was recorded as an original issue discount and is being amortized over the terms of the respective notes.

BIORESTORATIVE THERAPIES, INC. & SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

(unaudited)

Note 5 – Notes Payable – Continued

Other Notes – Continued

During the nine months ended September 30, 2017, the Company and certain lenders agreed to exchange certain other notes with an aggregate principal balance of \$203,750 and aggregate accrued interest of \$7,114 into an aggregate of 70,205 shares of common stock and immediately vested five-year warrants to purchase an aggregate of 63,205 shares of common stock at an exercise price of \$4.00 per share. In addition, in consideration of the exchange by certain lenders, the Company agreed to extend the expiration dates of certain warrants held by the lenders for the purchase of an aggregate of 18,000 shares of common stock of the Company at an exercise price of \$4.00 per share, from expiration dates ranging from April 27, 2021 to January 31, 2022 to a new expiration date of February 8, 2022. The common stock, warrants, and warrant modification (which represents the incremental value of the modified warrant as compared to the original warrant value, both valued as of the modification date) had an aggregate exchange date value of \$244,414 and, as a result, the Company recorded a loss on extinguishment of notes payable of \$33,550.

During the nine months ended September 30, 2017, the Company and certain lenders agreed to extend other notes with an aggregate principal balance of \$330,000, that were near or at maturity, to various dates through October 2017. In connection with the extensions, the Company issued certain lenders five-year, immediately vested warrants to purchase an aggregate of 18,000 shares of common stock at exercise prices ranging between \$4.00 to \$5.00 per share. The aggregate grant date fair value of the warrants of \$26,940 has been recorded as debt discount and is being amortized over the term of the note.

During the nine months ended September 30, 2017, the Company and a lender agreed to extend other notes with an aggregate principal balance of \$637,250 such that the notes also became convertible into shares of the Company's common stock. See Note 5 – Notes Payable – Convertible Notes for additional details.

During the nine months ended September 30, 2017, the Company repaid an aggregate principal amount of \$64,000 of other notes.

Note 6 – Commitments and Contingencies

Consulting Agreements

Business Advisory Services

In March 2017, a previously expired agreement for business advisory services was further amended. Pursuant to the amendment, the agreement was reinstated effective as of January 1, 2017 and provides for an expiration date of December 31, 2017. In consideration of the extension of the term of the consulting agreement, the Company issued to the consultant an immediately vested five-year warrant for the purchase of 25,000 shares of common stock of the Company at an exercise price of \$4.00 per share. The aggregate grant date value of the warrant of \$40,763 was recognized immediately as stock-based compensation expense which is reflected as consulting expense in the unaudited condensed consolidated financial statements. Concurrently, the Company entered into an exchange agreement with the consultant pursuant to which \$30,000 of accrued consulting fees were exchanged for 10,000 shares of common stock of the Company and, in consideration thereof, the Company issued to the consultant an immediately vested five-year warrant for the purchase of 10,000 shares of common stock of the Company at an exercise price of \$4.00 per share. The aggregate value of shares and warrant was \$36,300, and accordingly the Company recorded a loss on settlement of payables of \$6,300 which is reflected within general and administrative expenses in the unaudited condensed consolidated statements of operations.

BIORESTORATIVE THERAPIES, INC. & SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

(unaudited)

Note 6 – Commitments and Contingencies – Continued

Operating Lease

Rent expense amounted to approximately \$32,000 and \$96,000 for the three and nine months ended September 30, 2017, respectively. During the three and nine months ended September 30, 2016, the Company recognized approximately \$33,000 and \$99,000, respectively, of rent expense.

Litigations, Claims and Assessments

In the normal course of business, the Company may be involved in legal proceedings, claims and assessments arising in the ordinary course of business, and as of September 30, 2017, none are expected to materially impact the Company's financial position.

The Company records legal costs associated with loss contingencies as incurred and accrues for all probable and estimable settlements.

Employment Agreements

In February 2017 and March 2017, the Company's Compensation Committee and Board of Directors, respectively, approved the following associated with performance-based cash bonuses for certain of the Company's officers and current employees: (i) new performance-based cash bonuses payable for the year ending December 31, 2017 such that an aggregate of up to \$402,500 could be earned for such year pursuant to the satisfaction of such goals; and (ii) the amendment of the performance-based cash bonuses for the year ended December 31, 2016 such that an aggregate of

up to \$322,000 could be earned for such year pursuant to the satisfaction of such goals. Also, pursuant to the amendment of the performance-based cash bonuses, the Company's officers and certain employees' achievement date of 2016 milestones was extended from January 31, 2017 to July 31, 2017. As of December 31, 2016, the Company accrued approximately \$191,000 for 2016 bonus milestones which were achieved and approximately \$100,000 for 2016 bonus milestones which were probable to be achieved. As of September 30, 2017, the Company accrued approximately \$255,000 for 2016 bonus milestones which were achieved and approximately \$76,000 for 2017 bonus milestones which were probable to be achieved.

Note 7 – Stockholders' Deficiency

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 ranging from 0% to 5% for options granted during the nine months ended September 30, 2017 and 2016. 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 and directors 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. 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.

Compensatory Common Stock Issuances

During the nine months ended September 30, 2017, the Company issued 10,000 shares of immediately vested common stock valued at \$20,000 to a consultant for services rendered during the period.

BIORESTORATIVE THERAPIES, INC. & SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

(unaudited)

Note 7 – Stockholders’ Deficiency – Continued

Common Stock and Warrant Offerings

During the nine months ended September 30, 2017, the Company issued an aggregate of 341,335 shares of common stock and five-year immediately vested warrants to purchase an aggregate of 351,335 shares of common stock at an exercise price of \$4.00 to investors for aggregate gross proceeds of \$1,024,000. The warrants had an aggregate grant date fair value of \$569,395.

Warrant Compensation

On April 5, 2017, the Company extended a previously expired agreement with a consultant from January 1, 2017 to June 30, 2017. In connection with this extension, the Company issued a five-year immediately vested warrant to purchase 20,000 shares of common stock at an exercise price of \$4.50 per share. The warrant grant date fair value of \$30,440 was recognized immediately as stock-based compensation expense which is reflected as consulting expense in the unaudited condensed consolidated statements of operations.

On July 12, 2017, the Company issued an immediately vested five-year warrant to purchase 25,000 shares of common stock at an exercise price of \$4.00 per share to a consultant for services rendered. The warrant grant date fair value of \$40,275 was recognized immediately as stock-based compensation expense and is reflected as consulting expense in the unaudited condensed consolidated statements of operations.

Warrant Modifications and Exercises

On February 10, 2017, with respect to a warrant held by an investor, the Company agreed that (i) the conditions to the exercisability of the warrant for tranches to purchase an aggregate of 35,000 shares were eliminated, such that the entire warrant to purchase 50,000 shares of common stock was exercisable, and (ii) the exercise price of the warrant was reduced from an exercise price of \$30.00 per share to \$3.50 per share. Concurrent with the modification of the warrant, the investor exercised the warrant in full for aggregate gross proceeds to the Company of \$175,000. The Company recognized a warrant modification charge of \$4,500 during the nine months ended September 30, 2017, which represents the incremental value of the modified warrants as compared to the original warrants, both valued as of the respective modification dates which is reflected in warrant modification expense in the unaudited condensed consolidated statement of operations.

During the nine months ended September 30, 2017, with respect to warrants held by certain lenders, the Company agreed to extend the expiration dates and reduce the exercise price of certain warrants to purchase an aggregate 53,291 and 14,487 shares of Company's common stock, respectively. The expiration dates of the warrants were extended from dates ranging between December 31, 2017 through December 29, 2021 to new expiration dates ranging between December 31, 2019 and June 28, 2022. The exercise price of certain warrants was reduced from an exercise price ranging between \$5.00 and \$10.00 per share to \$4.00 per share. The Company recognized a warrant modification charge of \$18,962 and \$23,462 during the three and nine months ended September 30, 2017, respectively, which represents the incremental value of the modified warrants as compared to the original warrants, both valued as of the respective modification dates. The charge is reflected in warrant modification expense in the unaudited condensed consolidated statements of operations.

Stock Warrants

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

| | For the Three Months Ended | | For the Nine Months Ended | |
|-------------------------|----------------------------|----------------|---------------------------|----------------|
| | September 30, | | September 30, | |
| | 2017 | 2016 | 2017 | 2016 |
| Risk free interest rate | 1.99% - 2.14 % | 1.03% - 1.23 % | 1.98% - 2.33 % | 0.44% - 1.47 % |
| Expected term (years) | 5.00 | 5.00 | 5.00 | 0.67 - 5.00 |
| Expected volatility | 130 | % 126 | % 120% - 132 | % 124% - 126 % |
| Expected dividends | 0.00 | % 0.00 | % 0.00 | % 0.00 % |

BIORESTORATIVE THERAPIES, INC. & SUBSIDIARIES**Notes to Condensed Consolidated Financial Statements****(unaudited)****Note 7 – Stockholders’ Deficiency – Continued**Stock Warrants – Continued

The weighted average estimated fair value of the warrants granted during the three and nine months ended September 30, 2017 was approximately \$1.54 and \$1.60 per share, respectively. The weighted average estimated fair value of the warrants granted during the three and nine months ended September 30, 2016 was \$1.74 and \$1.13 per share, respectively.

The Company recorded stock-based compensation expense of \$40,275 and \$111,478 during the three and nine months ended September 30, 2017, respectively, related to stock warrants issued as compensation, which is reflected as consulting expense in the unaudited condensed consolidated statements of operations. As of September 30, 2017, there was no unrecognized stock-based compensation expense related to stock warrants. The Company recorded stock-based compensation expense of \$62,908 during the three and nine months ended September 30, 2016.

A summary of the warrant activity during the nine months ended September 30, 2017 is presented below:

| | Number of Warrants | Weighted Average Exercise Price | Weighted Average Remaining Life In Years | Aggregate Intrinsic Value |
|---------------------------------|-----------------------|--|--|---------------------------------|
| Outstanding, December 31, 2016 | 2,953,651 | \$ 5.40 | [1] | |
| Issued | 761,305 | 4.02 | | |
| Exercised | (50,000) | 3.50 | | |
| Expired | (20,000) | 37.50 | | |
| Outstanding, September 30, 2017 | 3,644,956 | \$ 4.83 | 3.0 | \$ - |

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Exercisable, September 30, 2017 3,644,956 \$ 4.83 3.0 \$ -

[1] Excludes the impact of a warrant to purchase 35,000 shares of common stock that had an exercise price which was the greater of \$30.00 per share or the fair market value of the common stock on the date certain performance criteria are met. Exercisability was subject to satisfaction of certain performance criteria which had not occurred as of December 31, 2016. As discussed above under Warrant Modifications and Exercises, on February 10, 2017, the performance criteria were eliminated and the exercise price was reduced to \$3.50 per share in consideration of the full exercise of the warrant by the holder.

The following table presents information related to stock warrants at September 30, 2017:

| Warrants Outstanding | Warrants Exercisable | Warrants Weighted Average Remaining Life | Warrants Exercisable |
|----------------------|-------------------------|--|-------------------------|
| | | | |
| Exercise Price | Number of Warrants | In Years | Number of Warrants |
| \$4.00 - \$4.99 | 2,290,048 | 3.3 | 2,290,048 |
| \$5.00 - \$5.99 | 1,204,232 | 2.7 | 1,204,232 |
| \$6.00 - \$7.99 | 40,000 | 2.8 | 40,000 |
| \$8.00 - \$9.99 | 2,500 | 2.2 | 2,500 |
| \$10.00 - \$14.99 | 45,959 | 2.5 | 45,959 |
| \$15.00 - \$19.99 | 38,559 | 1.9 | 38,559 |
| \$20.00 - \$80.00 | 23,658 | 0.5 | 23,658 |
| | 3,644,956 | 3.0 | 3,644,956 |

BIORESTORATIVE THERAPIES, INC. & SUBSIDIARIES**Notes to Condensed Consolidated Financial Statements****(unaudited)****Note 7 – Stockholders’ Deficiency – Continued**Stock Options

On February 14, 2017, the Compensation Committee reduced the exercise price of outstanding options for the purchase of an aggregate of 1,219,450 shares of common stock of the Company (with exercise prices ranging between \$5.70 and \$30.00 per share) to \$4.70 per share, which was the closing price for the Company’s common stock on February 13, 2017, as reported by the OTCQB. The exercise price reduction related to options held by, among others, the Company’s executive officers and directors. The incremental value of the modified options compared to the original options, both valued as of the respective modification date, of \$430,394 is being recognized over the vesting term of the options.

During the nine months ended September 30, 2017, the Company issued ten-year options to employees, directors, and an advisor of the Company to purchase an aggregate of 1,117,000 shares of common stock at exercise prices ranging between \$2.80 to \$3.35 per share. The options vest as follows: (i) options for the purchase of 283,336 shares vest immediately, (ii) options for the purchase of 372,338 shares vest on the one-year anniversary of the issuance date, (iii) options for the purchase of 372,332 shares vest on the two-year anniversary of the issuance date and (iv) options for the purchase of 88,994 shares vest on the three-year anniversary of the issuance date. The options had an aggregate grant date value of \$3,070,600 which is being amortized over the vesting term of the respective options.

A summary of the option activity during the nine months ended September 30, 2017 is presented below:

| | Number of Options | Weighted Average Exercise Price | Weighted Average Remaining Life In Years | Aggregate Intrinsic Value |
|--------------------------------|----------------------|--|--|---------------------------------|
| Outstanding, December 31, 2016 | 2,168,950 | 6.27 | | |

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| | | | | |
|---------------------------------|-----------|---------|-----|------------|
| Granted | 1,117,000 | 3.23 | | |
| Forfeited | (10,250) | 4.70 | | |
| Outstanding, September 30, 2017 | 3,275,700 | \$ 4.22 | 8.3 | \$ 113,400 |
| Exercisable, September 30, 2017 | 1,826,714 | \$ 4.74 | 7.7 | \$ 1,125 |

The following table presents information related to stock options at September 30, 2017:

| Options Outstanding | Options Exercisable | Options | |
|---------------------|-------------------------------------|---|-------------------------------------|
| | | Exercisable | Weighted |
| Exercise Price | Outstanding Number of Options | Average Remaining Life In Years | Exercisable Number of Options |
| \$2.00 - \$2.99 | 247,000 | - | - |
| \$3.00 - \$3.99 | 1,727,000 | 9.1 | 763,842 |
| \$4.00 - \$4.99 | 1,224,200 | 6.7 | 985,372 |
| \$5.00 - \$5.99 | 5,000 | 6.7 | 5,000 |
| \$6.00 - \$19.99 | 37,500 | 6.3 | 37,500 |
| \$20.00 - \$30.00 | 35,000 | 4.5 | 35,000 |
| | 3,275,700 | 7.7 | 1,826,714 |

BIORESTORATIVE THERAPIES, INC. & SUBSIDIARIES**Notes to Condensed Consolidated Financial Statements****(unaudited)****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, | | For the Nine Months Ended September 30, | | Unrecognized at September 30, 2017 | Weighted Average Remaining Amortization Period (Years) |
|----------------------------|--|-----------|---|-------------|--|---|
| | 2017 | 2016 | 2017 | 2016 | | |
| Consulting | \$301,622 | \$172,431 | \$1,284,781 | \$716,173 | \$1,343,670 | 1.4 |
| Research and development | 157,960 | 103,870 | 522,883 | 286,209 | 1,022,783 | 2.1 |
| General and administrative | 281,785 | 123,706 | 1,145,611 | 715,869 | 1,075,951 | 1.5 |
| | \$741,367 | \$400,007 | \$2,953,275 | \$1,718,251 | \$3,442,404 | 1.7 |

Note 8 – Fair Value Measurement

See Note 5 – Notes Payable – Convertible Notes for additional details associated with the issuance of convertible notes payable for which the embedded conversion options were classified as derivative liabilities. During the three months ended September 30, 2017, the Company recorded derivative liabilities in the amount of \$100,309 related to the embedded conversion options of convertible notes payable. The Company estimated the fair value of the original derivative liabilities using the Multinomial Lattice option pricing model (Level 3 inputs) using the following assumptions: expected volatility ranging between 112% and 133%, risk-free rates between 1.30% and 1.34%, expected terms ranging 0.76 and 0.91 years, expected dividends of 0%, and the market value of the Company’s freely tradable common stock as reported on the OTCQB market.

On September 30, 2017, the Company estimated the fair value of its derivative liabilities using the Multinomial Lattice option pricing model (Level 3 inputs) using the following assumptions: expected volatility of 111%, risk-free rate of 1.33%, expected terms of 0.75 years, expected dividends of 0%, and the market value of the Company's freely tradable common stock as reported on the OTCQB market.

The Company recorded a loss on the change in fair value of these derivative liabilities of \$15,311 during the three and nine months ended September 30, 2017.

During the three months ended September 30, 2017, the Company reclassified \$4,780 of derivative liabilities to equity in connection with the conversion of convertible notes payable into shares of common stock.

The following table sets forth a summary of the changes in the fair value of Level 3 derivative liabilities that are measured at fair value on a recurring basis:

| Derivative Liabilities | |
|--|------------|
| Beginning balance as of January 1, 2017 | \$- |
| Issuance of derivative liabilities | 100,309 |
| Reclassification of derivative liabilities to equity | (4,780) |
| Change in fair value of derivative liabilities | 15,311 |
| Ending balance as of September 30, 2017 | \$ 110,840 |

BIORESTORATIVE THERAPIES, INC. & SUBSIDIARIES**Notes to Condensed Consolidated Financial Statements****(unaudited)****Note 8 – Fair Value Measurement – Continued**

Assets and liabilities measured at fair value on a recurring or nonrecurring basis are as follows:

| | September 30, 2017 | | | |
|------------------------|--------------------|---------|-----------|-----------|
| | Level 1 | Level 2 | Level 3 | Total |
| Liabilities: | | | | |
| Derivative liabilities | \$- | \$- | \$110,840 | \$110,840 |
| Total liabilities | \$- | \$- | \$110,840 | \$110,840 |

| | December 31, 2016 | | | |
|------------------------|-------------------|---------|---------|-------|
| | Level 1 | Level 2 | Level 3 | Total |
| Liabilities: | | | | |
| Derivative liabilities | \$- | \$- | \$- | \$- |
| Total liabilities | \$- | \$- | \$- | \$- |

Note 9 – Subsequent Events**Common Stock and Warrant Offerings**

Subsequent to September 30, 2017, the Company issued 10,000 shares of common stock and a five-year immediately vested warrant to purchase 10,000 shares of common stock at an exercise price of \$4.00 per share to an investor for gross proceeds of \$30,000.

Notes Payable

Subsequent to September 30, 2017, the Company issued lenders convertible notes in the aggregate principal amount of \$974,000, for aggregate gross proceeds of \$864,950. The difference of \$109,050 was recorded as an original issue discount and is being amortized over the terms of the respective notes. The convertible notes bear interest at rates ranging between 6% to 10% per annum payable at maturity with maturity dates ranging between May 2018 through July 2018. Principal and the respective accrued interest is convertible into shares of the Company's common stock at the election of the holder at any time immediately on or after the issue date until the balance has been paid in full. The conversion price of a certain note in the principal amount of \$675,000 is \$2.75 per share, subject to adjustment under certain circumstances. With respect to the other notes, the conversion price shall be equal to 65% of the fair market value of the Company's stock; however, generally the conversion price shall not be less than \$1.00 per share. Additionally, in connection with the issuance of a certain convertible note, the Company issued a certain lender a five-year warrant to purchase 40,663 shares of the Company's common stock at an exercise price of \$4.15 per share. In connection with certain convertible notes, the Company incurred \$13,500 of debt issuance costs. The issuance date fair value of the warrant and the debt issuance costs will be recorded as debt discount and amortized over the term of the respective notes.

Subsequent to September 30, 2017, the Company issued a lender a zero-interest bearing note in the principal amount of \$108,900 for gross proceeds of \$105,000, and the difference of \$3,900 has been recorded as an original issue discount and will be amortized over the term of the note. The note matures in February 2018. In connection with the issuance the note, the Company issued the lender 7,800 shares of the Company's common stock.

Subsequent to September 30, 2017, the Company elected to convert certain convertible notes in the aggregate principal and accrued interest amount of \$67,527 (of which an aggregate amount of principal and accrued interest of \$66,065 was reflected in the unaudited condensed consolidated balance sheet as of September 30, 2017) into an aggregate of 31,299 shares of common stock at conversion prices ranging from \$2.06 to \$2.43 per share.

BIORESTORATIVE THERAPIES, INC. & SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

(unaudited)

Note 9 – Subsequent Events – Continued

Notes Payable – Continued

Subsequent to September 30, 2017, the Company and certain lenders agreed to extend the maturity dates of notes payable with an aggregate principal balance of \$1,088,167 and with maturity dates ranging from May 2017 through October 2017, to new maturity dates ranging between October 2017 through October 2018. In connection with certain note extensions, the Company issued to certain lenders 4,300 shares of the Company's common stock and certain other lenders five-year warrants to purchase an aggregate of 38,118 shares of the Company's common stock at an exercise price of \$4.00 per share. Also, in connection with a certain note extension, the Company increased the effective rate at which the note bears interest from 10% to 15%, effective October 1, 2017. Additionally, in connection with one of the extensions, the Company incurred debt issuance costs in the amount \$5,000 which was accreted as interest expense and added to the principal balance of the note. Also in connection with certain extensions, the Company and a certain lender agreed to add an aggregate \$4,349 of incurred interest to the principal of the respective notes.

Subsequent to September 30, 2017, the Company repaid an aggregate principal amount of \$147,000 of notes payable.

Short-Term Advances

Subsequent to September 30, 2017, the Company repaid non-interest bearing advances in the amount of \$8,000 from a family member of an officer of the Company.

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

The following discussion and analysis of the results of operations and financial condition of BioRestorative Therapies, Inc. (together with its subsidiaries, "BRT") for the three and nine months ended September 30, 2017 and 2016 should be read in conjunction with our financial statements and the notes to those financial statements that are included elsewhere in this Quarterly Report on Form 10-Q. References in this Management's Discussion and Analysis of Financial Condition and Results of Operations to "us," "we," "our," and similar terms refer to BRT. This Quarterly Report contains forward-looking statements as that term is defined in the federal securities laws. The events described in forward-looking statements contained in this Quarterly Report may not occur. Generally these statements relate to business plans or strategies, projected or anticipated benefits or other consequences of our plans or strategies, projected or anticipated benefits from acquisitions to be made by us, or projections involving anticipated revenues, earnings or other aspects of our operating results. The words "may," "will," "expect," "believe," "anticipate," "project," "plan," "intend," "estimate," and "continue," and their opposites and similar expressions, are intended to identify forward-looking statements. We caution you that these statements are not guarantees of future performance or events and are subject to a number of uncertainties, risks and other influences, many of which are beyond our control, which may influence the accuracy of the statements and the projections upon which the statements are based. Factors that may affect our results include, but are not limited to, the risks and uncertainties discussed in Item 7 ("Management's Discussion and Analysis of Financial Condition and Results of Operations – Factors That May Affect Results and Financial Condition") of our Annual Report on Form 10-K for the year ended December 31, 2016 filed with the Securities and Exchange Commission (the "SEC") on March 22, 2017.

Any one or more of these uncertainties, risks and other influences could materially affect our results of operations and whether forward-looking statements made by us ultimately prove to be accurate. Our actual results, performance and achievements could differ materially from those expressed or implied in these forward-looking statements. We undertake no obligation to publicly update or revise any forward-looking statements, whether from new information, future events or otherwise.

This Quarterly Report on Form 10-Q includes references to our federally registered trademarks, BioRestorative Therapies, brtxDISC, ThermoStem and Stem Pearls. This Quarterly Report on Form 10-Q may also include references to trademarks, trade names and service marks that are the property of other organizations. Solely for convenience, trademarks and trade names referred to in this Quarterly Report on Form 10-Q appear without the ®, SM or ™ symbols, and copyrighted content appears without the use of the symbol ©, but the absence of use of these symbols does not reflect upon the validity or enforceability of the intellectual property owned by us or third parties.

Overview

We develop therapeutic products and medical therapies using cell and tissue protocols, primarily involving adult (non-embryonic) stem cells. We are currently pursuing our Disc/Spine Program with our initial therapeutic product

being called *BRTX-100*. We have obtained a license to use technology for adult stem cell treatment of disc and spine conditions, including protruding and bulging lumbar discs. The technology is an advanced stem cell injection procedure that may offer relief from lower back pain, buttock and leg pain, and numbness and tingling in the legs and feet. We are also developing our ThermoStem Program. This pre-clinical program involves the use of brown adipose (fat) in connection with the cell-based treatment of type 2 diabetes and obesity as well as hypertension, other metabolic disorders and cardiac deficiencies. A United States patent, an Australian patent and a Japanese patent related to the ThermoStem Program were issued in September 2015, August 2017 and October 2017, respectively.

We have licensed a patented curved needle device that is a needle system designed to deliver cells and/or other therapeutic products or materials to the spine and discs. We also offer stem cell derived cosmetic and skin care products.

Our offices are located in Melville, New York where we have established a laboratory facility in order to increase our capabilities for the further development of possible cellular-based treatments, products and protocols, stem cell-related intellectual property and translational research applications.

As of September 30, 2017, our accumulated deficit was \$49,544,823, our stockholders' deficiency was \$6,690,280 and our working capital deficiency was \$8,008,650. We have historically only generated a modest amount of revenue, and our losses have principally been operating expenses incurred in research and development, marketing and promotional activities in order to commercialize our products and services, plus costs associated with meeting the requirements of being a public company. We expect to continue to incur substantial costs for these activities over at least the next year.

Based upon our working capital deficiency as of September 30, 2017 and our forecast for continued operating losses, we require equity and/or debt financing to continue our operations. As of September 30, 2017, our outstanding debt of \$3,020,663, together with interest at rates ranging between 0% and 15% per annum, was due on various dates through May 2018. Subsequent to September 30, 2017 and through the filing date of this report, we have received aggregate equity and debt proceeds of \$30,000 and \$964,950, respectively, debt (inclusive of accrued interest) of \$67,527 has been converted into or exchanged for common stock, and the due date for the repayment of \$1,088,167 of debt has been extended from July 2017 to dates between October 2017 and February 2018. Giving effect to the above actions, we currently have notes payable aggregating \$557,500 which are past due. Based upon our working capital deficiency and outstanding debt, we expect to be able to fund our operations through December 2017. We will require additional funding to repay our outstanding debt (\$3,020,663 as of September 30, 2017) (assuming that no debt is converted into equity) and fund general operations. We anticipate that we will require approximately \$10,000,000 in financing to commence and complete a Phase 2 clinical trial using *BRTX-100*. We anticipate that we will require approximately \$30,000,000 in further additional funding to complete our clinical trials using *BRTX-100* (assuming the receipt of no revenues). We will also require a substantial amount of additional funding if we determine to establish a manufacturing operation with regard to our Disc/Spine Program (as opposed to utilizing a third-party manufacturer) and to implement our other programs, including our metabolic ThermoStem Program. No assurance can be given that the anticipated amounts of required funding are correct or that we will be able to accomplish our goals within the timeframes projected. In addition, no assurance can be given that we will be able to obtain any required financing on commercially reasonable terms or otherwise.

We are currently seeking several different financing alternatives to support our future operations and are currently in the process of negotiating extensions or discussing conversions to equity with respect to our outstanding indebtedness. If we are unable to obtain such additional financing on a timely basis or, notwithstanding any request we may make, our debt holders do not agree to convert their notes into equity or extend the maturity dates of their notes, we may have to curtail our development, marketing and promotional activities, which would have a material adverse effect on our business, financial condition and results of operations, and ultimately we could be forced to discontinue our operations and liquidate. See “Liquidity and Capital Resources” below.

Consolidated Results of Operations**Three Months Ended September 30, 2017 Compared with Three Months Ended September 30, 2016**

The following table presents selected items in our unaudited condensed consolidated statements of operations for the three months ended September 30, 2017 and 2016, respectively:

| | For The Three Months Ended September 30, | |
|--|--|---------------|
| | 2017 | 2016 |
| Revenues | \$16,000 | \$5,000 |
| Cost of sales | - | - |
| Gross Profit | 16,000 | 5,000 |
| Operating Expenses | | |
| Marketing and promotion | 6,988 | 15,632 |
| Consulting | 523,917 | 437,717 |
| Research and development | 490,654 | 656,169 |
| General and administrative | 738,077 | 610,694 |
| Total Operating Expenses | 1,759,636 | 1,720,212 |
| Loss From Operations | (1,743,636) | (1,715,212) |
| Other Expense | | |
| Interest expense | (114,202) | (57,429) |
| Amortization of debt discount | (159,977) | (35,387) |
| Loss on extinguishment of notes payable, net | - | (25,850) |
| Change in fair value of derivative liabilities | (15,311) | - |
| Warrant modification expense | (18,962) | - |
| Total Other Expense | (308,452) | (118,666) |
| Net Loss | \$(2,052,088) | \$(1,833,878) |

Revenues

For the three months ended September 30, 2017, we generated \$16,000 of royalty revenue in connection with our sublicense agreement. For the three months ended September 30, 2016, we generated \$5,000 of royalty revenue in connection with our sublicense agreement.

Marketing and promotion

Marketing and promotion expenses include advertising and promotion, marketing and seminars, meals, entertainment and travel expenses. For the three months ended September 30, 2017, marketing and promotion expenses decreased by \$8,644, or 55%, from \$15,632 to \$6,988 as compared to the three months ended September 30, 2016.

We expect that marketing and promotion expenses will increase in the future as we increase our marketing activities following full commercialization of our products and services.

Consulting

Consulting expenses consist of consulting fees and stock-based compensation to consultants. For the three months ended September 30, 2017, consulting expenses increased \$86,200, or 20%, from \$437,717 to \$523,917, as compared to the three months ended September 30, 2016. The increase is primarily due to an approximately \$79,000 increase in consultant stock-based compensation expense related to options granted to directors and an increase of approximately \$6,000 in other cash consulting fees.

Research and development

Research and development expenses include cash and non-cash compensation of (a) our Vice President of Research and Development; (b) our Scientific Advisory Board members; (c) our former President, Disc/Spine Division (who left the Company on July 24, 2017); and (d) laboratory staff and costs related to our brown fat and disc/spine initiatives. Research and development expenses are expensed as they are incurred. For the three months ended September 30, 2017, research and development expenses decreased by \$165,515, or 25%, from \$656,169 to \$490,654, as compared to the three months ended September 30, 2016. The decrease was primarily a result of a decrease of approximately \$112,000 in payroll and payroll-related costs due to the resignation of our former President of the Disc/Spine Division, a decrease of approximately \$47,000 related to the reversal of previously accrued 2017 bonus milestones that are no longer probable to be achieved, a decrease of approximately \$20,000 of medical supplies in connection with a previous stock up of supplies in 2016, and a decrease of approximately \$19,000 due to a decreased use of lab support, partially offset by an increase in approximately \$54,000 of stock-based compensation expense related to options granted to our Vice President of Research and Development, our Scientific Advisory Board members, our former President, Disc/Spine Division and laboratory staff.

We expect that our research and development expenses will increase with the continuation of the aforementioned initiatives.

General and administrative

General and administrative expenses consist primarily of salaries, bonuses, payroll taxes, severance costs and stock-based compensation to employees (excluding any cash or non-cash compensation of (a) our Vice President of Research and Development; (b) our former President, Disc/Spine Division; and (c) our laboratory staff) as well as corporate support expenses such as legal and professional fees, investor relations and occupancy related expenses. For the three months ended September 30, 2017, general and administrative expenses increased by \$127,383, or 21%, from \$610,694 to \$738,077, as compared to the three months ended September 30, 2016. The increase is primarily related to approximately \$158,000 in stock-based compensation to employees and our Chief Executive Officer and an

increase in professional fees of approximately \$50,000 related to legal services rendered and the initiatives associated with raising capital, partially offset by a decrease of approximately \$117,000 related to the reversal of previously accrued 2017 bonus milestones that are no longer probable to be achieved.

We expect that our general and administrative expenses will increase as we expand our staff, develop our infrastructure and incur additional costs to support the growth of our business.

Interest expense

For the three months ended September 30, 2017, interest expense increased \$56,773, or 99%, as compared to the three months ended September 30, 2016. The increase was due to an increase in interest-bearing short-term borrowings as compared to the three months ended September 30, 2016.

Amortization of debt discount

For the three months ended September 30, 2017, amortization of debt discount increased \$124,590, or 352%, as compared to the three months ended September 30, 2016. The increase was primarily due to the timing of the recognition of expense related to the beneficial conversion features and embedded conversion options of convertible notes.

Loss on extinguishment of notes payable

For the three months ended September 30, 2017, we did not record a gain on extinguishment of notes payable, as compared to a loss on extinguishment of notes payable of \$25,850 for the three months ended September 30, 2016.

Change in fair value of derivative liabilities

During the three months ended September 30, 2017 and 2016, we recorded a loss related to the change in fair value of derivative liabilities of \$15,311 and \$0, respectively.

Warrant modification expense

During the three months ended September 30, 2017 and 2016, we recorded expense related to the modification of the exercise prices of certain outstanding warrants of \$18,962 and \$0, respectively.

Nine Months Ended September 30, 2017 Compared with Nine Months Ended September 30, 2016

The following table presents selected items in our unaudited condensed consolidated statements of operations for the nine months ended September 30, 2017 and 2016, respectively:

| | For The Nine Months Ended September 30, | |
|--|---|---------------|
| | 2017 | 2016 |
| Revenues | \$43,000 | \$30,280 |
| Cost of sales | - | 81 |
| Gross Profit | 43,000 | 30,199 |
| Operating Expenses | | |
| Marketing and promotion | 45,111 | 56,327 |
| Consulting | 1,863,361 | 1,272,530 |
| Research and development | 1,907,232 | 2,130,901 |
| General and administrative | 3,029,318 | 2,495,933 |
| Total Operating Expenses | 6,845,022 | 5,955,691 |
| Loss From Operations | (6,802,022) | (5,925,492) |
| Other Expense | | |
| Interest expense | (307,406) | (145,277) |
| Amortization of debt discount | (376,886) | (437,856) |
| Loss on extinguishment of notes payable, net | (59,938) | (42,510) |
| Change in fair value of derivative liabilities | (15,311) | - |
| Warrant modification expense | (23,462) | (28,486) |
| Total Other Expense | (783,003) | (654,129) |
| Net Loss | \$(7,585,025) | \$(6,579,621) |

Revenues

For the nine months ended September 30, 2017, we generated \$43,000 of royalty revenue in connection with our sublicense agreement. For the nine months ended September 30, 2016, we generated \$30,000 of royalty revenue in

connection with our sublicense agreement and \$280 of sales of Stem Pearls skincare products.

Cost of sales

For the nine months ended September 30, 2017, cost of sales was \$0 as compared to \$81 for the nine months ended September 30, 2016. For the nine months ended September 30, 2016, cost of sales consisted of the costs of the underlying Stem Pearls skincare products.

Marketing and promotion

Marketing and promotion expenses include advertising and promotion, marketing and seminars, meals, entertainment and travel expenses. For the nine months ended September 30, 2017, marketing and promotion expenses decreased by \$11,216, or 20%, from \$56,327 to \$45,111 as compared to the nine months ended September 30, 2016.

We expect that marketing and promotion expenses will increase in the future as we increase our marketing activities following full commercialization of our products and services.

Consulting

Consulting expenses consist of consulting fees and stock-based compensation to consultants. For the nine months ended September 30, 2017, consulting expenses increased \$590,831, or 46%, from \$1,272,530 to \$1,863,361, as compared to the nine months ended September 30, 2016. The increase is primarily due to an approximately \$552,000 increase in consultant stock-based compensation expense related to options granted to directors and consultants and a \$34,000 increase in other cash consulting fees.

Research and development

Research and development expenses include cash and non-cash compensation of (a) our Vice President of Research and Development; (b) our Scientific Advisory Board members; (c) our former President, Disc/Spine Division (who left the Company on July 24, 2017); and (d) laboratory staff and costs related to our brown fat and disc/spine initiatives. Research and development expenses are expensed as they are incurred. For the nine months ended September 30, 2017, research and development expenses decreased by \$223,669, or 10%, from \$2,130,901 to \$1,907,232, as compared to the nine months ended September 30, 2016. The decrease was primarily a result of an approximately \$266,000 decrease in costs related to a third party laboratory associated with the completion of our animal study for our disc/spine initiative, a decrease of approximately \$101,000 in payroll and payroll-related costs due to the resignation of our former President of the Disc/Spine Division, a decrease of approximately \$92,000 of medical supplies in connection with a previous stock up of supplies in 2016, partially offset by an increase in approximately \$237,000 of stock-based compensation expense related to options granted to our Vice President of Research and Development, our Scientific Advisory Board members, our former President, Disc/Spine Division and laboratory staff.

We expect that our research and development expenses will increase with the continuation of the aforementioned initiatives.

General and administrative

General and administrative expenses consist primarily of salaries, bonuses, payroll taxes, severance costs and stock-based compensation to employees (excluding any cash or non-cash compensation of (a) our Vice President of Research and Development; (b) our former President, Disc/Spine Division; and (c) our laboratory staff) as well as corporate support expenses such as legal and professional fees, investor relations and occupancy related expenses. For the nine months ended September 30, 2017, general and administrative expenses increased by \$533,385, or 21%, from \$2,495,933 to \$3,029,318, as compared to the nine months ended September 30, 2016. The increase is primarily related to approximately \$430,000 in stock-based compensation to employees and our Chief Executive Officer and

additional options being amortized, an increase in professional fees of approximately \$99,000 related to legal services rendered in connection with patent applications and the initiatives associated with raising capital.

We expect that our general and administrative expenses will increase as we expand our staff, develop our infrastructure and incur additional costs to support the growth of our business.

Interest expense

For the nine months ended September 30, 2017, interest expense increased \$162,129, or 112%, as compared to the nine months ended September 30, 2016. The increase was due to an increase in interest-bearing short-term borrowings as compared to the nine months ended September 30, 2016.

Amortization of debt discount

For the nine months ended September 30, 2017, amortization of debt discount decreased \$60,970, or 14%, as compared to the nine months ended September 30, 2016. The decrease was primarily due to the timing of the recognition of expense related to the beneficial conversion features and embedded conversion options of convertible notes.

Loss on extinguishment of notes payable

For the nine months ended September 30, 2017, we recorded a loss on extinguishment of notes payable of \$59,938, which is associated with investors' exchanges of debt into equity securities, as compared to a loss on extinguishment of notes payable of \$42,510 for the nine months ended September 30, 2016.

Change in fair value of derivative liabilities

During the nine months ended September 30, 2017 and 2016, we recorded a loss related to the change in fair value of derivative liabilities of \$15,311 and \$0, respectively.

Warrant modification expense

During the nine months ended September 30, 2017 and 2016, we recorded expense related to the modification of the expiration dates and exercise prices of certain outstanding warrants of \$23,462 and \$28,486, respectively.

Liquidity and Capital Resources

Liquidity

We measure our liquidity in a number of ways, including the following:

| | September 30, 2017 | December 31, 2016 |
|----------------------------|--------------------------|-------------------------|
| Cash | \$ 734 | \$ 31,822 |
| Working Capital Deficiency | \$(8,008,650) | \$(5,771,460) |
| Notes Payable (Gross) | \$ 3,020,663 | \$ 2,336,565 |

Availability of Additional Funds

Based upon our working capital deficiency and stockholders' deficiency of \$8,008,650 and \$6,690,280, respectively, as of September 30, 2017, we require additional equity and/or debt financing to continue our operations. These conditions raise substantial doubt about our ability to continue as a going concern within the twelve months from the date of this filing.

As of September 30, 2017, our outstanding debt of \$3,020,663, together with interest at rates ranging between 0% and 15% per annum, was due on various dates through May 2018. Subsequent to September 30, 2017 and through the filing date of this report, we have received aggregate equity and debt proceeds of \$30,000 and \$964,950, respectively, debt (inclusive of accrued interest) of \$67,527 has been converted into or exchanged for common stock, and the due date for the repayment of \$1,088,167 of debt has been extended from July 2017 to dates between October 2017 and February 2018. Giving effect to the above actions, we currently have notes payable aggregating \$557,500 which are past due. As of the date of filing, our outstanding debt was as follows:

| Maturity Date | Principal Amount |
|---------------|------------------|
| Past Due | \$557,500 |
| QE 12/31/2017 | 1,346,990 |
| QE 3/31/2018 | 460,983 |
| QE 6/30/2018 | 800,000 |
| QE 9/30/2018 | 299,000 |
| QE 12/31/2018 | 437,063 |
| | \$3,901,536 |

Based upon our working capital deficiency, outstanding debt and forecast for continued operating losses we expect that the cash we currently have available will fund our operations through December 2017. Thereafter, we will need to raise further capital, through the sale of additional equity or debt securities, to support our future operations and to repay our debt (unless, if requested, the debt holders agree to convert their notes into equity or extend the maturity dates of their notes). Our operating needs include the planned costs to operate our business, including amounts required to fund working capital and capital expenditures. Our future capital requirements and the adequacy of our available funds will depend on many factors, including our ability to successfully commercialize our products and services, competing technological and market developments, and the need to enter into collaborations with other companies or acquire other companies or technologies to enhance or complement our product and service offerings.

We may be unable to raise sufficient additional capital when we need it or raise capital on favorable terms. Debt financing 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 our stockholders or us. If we are unable to obtain adequate funds on reasonable terms, we may be required to significantly curtail or discontinue operations or obtain funds by entering into financing agreements on unattractive terms.

Our unaudited condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q have been prepared in conformity with accounting principles generally accepted in the United States of America, which contemplate our continuation 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 financial statements do not include any adjustment that might result from the outcome of this uncertainty.

During the nine months ended September 30, 2017 and 2016, our sources and uses of cash were as follows:

Net Cash Used in Operating Activities

We experienced negative cash flows from operating activities for the nine months ended September 30, 2017 and 2016 in the amounts of \$2,494,088 and \$3,941,037, respectively. The net cash used in operating activities for the nine months ended September 30, 2017 was primarily due to cash used to fund a net loss of \$7,585,025, adjusted for non-cash expenses in the aggregate amount of \$3,989,867 plus \$1,101,070 of cash generated by changes in the levels of operating assets and liabilities, primarily as a result of increases in accounts payable, plus accrued interest, expenses and other current liabilities. The net cash used in operating activities for the nine months ended September 30, 2016 was primarily due to cash used to fund a net loss of \$6,579,621, adjusted for non-cash expenses in the aggregate amount of \$2,583,513, plus \$55,071 of cash provided by changes in the levels of operating assets and liabilities, primarily as a result of an increase in accrued interest, expenses, other current liabilities and a decrease in accounts receivables, partially offset by a decrease in accounts payable.

Net Cash Used in Investing Activities

During the nine months ended September 30, 2017, there was no net cash used in or provided by investing activities. During the nine months ended September 30, 2016, net cash used in investing activities was \$181,942, due to cash used for the purchase of furniture, computer equipment and medical equipment.

Net Cash Provided by Financing Activities

Net cash provided by financing activities during the nine months ended September 30, 2017 and 2016 was \$2,463,000 and \$3,962,740, respectively. During the nine months ended September 30, 2017, \$1,263,998 of net proceeds were from debt financings and other borrowings and \$1,199,000 of proceeds were from equity financings (including proceeds received in connection with the exercise of common stock purchase warrants). During the nine months ended September 30, 2016, \$831,470 of net proceeds were from debt financings and other borrowings and \$3,131,270 of proceeds were from equity financings (including proceeds received in connection with the exercise of common stock purchase warrants).

Critical Accounting Policies and Estimates

There are no material changes from the critical accounting policies set forth in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” of our Form 10-K for the year ended December 31, 2016 filed with the Securities and Exchange Commission on March 22, 2017. Please refer to that document for disclosures regarding the critical accounting policies related to our business.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

Item 3: Quantitative and Qualitative Disclosures About Market Risk

Not applicable.

Item 4: Controls and Procedures

Disclosure Controls and Procedures

Disclosure controls are procedures that are designed with the objective of ensuring that information required to be disclosed in our reports filed under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), such as this Quarterly Report, is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms. Disclosure controls are also designed with the objective of ensuring that such information is accumulated and communicated to our management, including the Principal Executive and Financial Officer, as appropriate to allow timely decisions regarding required disclosure. Internal controls are procedures which are designed with the objective of providing reasonable assurance that (1) our transactions are properly authorized, recorded and reported; and (2) our assets are safeguarded against unauthorized or improper use, to permit the preparation of our unaudited condensed consolidated financial statements in conformity with United States generally accepted accounting principles.

In connection with the preparation of this Quarterly Report on Form 10-Q for the quarter ended September 30, 2017, management, with the participation of our Principal Executive and Financial Officer, has evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e) and 15d-15(e)). Based upon that evaluation, our Principal Executive and Financial Officer concluded that, as of the end of the period covered by this Quarterly Report on Form 10-Q, our disclosure controls and procedures were effective.

Changes in Internal Controls

There were no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) and 15d-15(f)) during the quarter ended September 30, 2017 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Limitations of the Effectiveness of Control

A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the inherent limitations of any control system, no evaluation of controls can provide absolute assurance that all control issues, if any, within a company have been detected.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

Not applicable.

Item 1A. Risk Factors.

Not applicable. See, however, Item 7 (“Management’s Discussion and Analysis of Financial Condition and Results of Operations - Factors That May Affect Future Results and Financial Condition”) of our Annual Report on Form 10-K for the year ended December 31, 2016, filed with the Securities and Exchange Commission on March 22, 2017.

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

During the three months ended September 30, 2017, we issued the following securities in transactions not involving any public offering. For each of the following transactions, we relied upon Section 4(a)(2) of the Securities Act of 1933, as amended, or the Securities Act, as transactions by an issuer not involving any public offering or Section 3(a)(9) of the Securities Act as a security exchanged by an issuer with its existing security holders exclusively where no commission or other remuneration is paid or given directly or indirectly for soliciting such exchange. For each such transaction, we did not use general solicitation or advertising to market the securities, the securities were offered to a limited number of persons, the investors had access to information regarding us (including information contained in our Annual Report on Form 10-K for the year ended December 31, 2016, our Quarterly Reports on Form 10-Q for the periods ended June 30, 2017 and March 31, 2017, Current Reports on Form 8-K filed with the Securities and Exchange Commission, and press releases made by us), and we were available to answer questions by prospective investors. We reasonably believe that each of the investors is an accredited investor. The proceeds were used to reduce our working capital deficiency and for other corporate purposes.

| Date Issued | Common Stock | Warrants | | | Purchaser(s) | Consideration (1) |
|-------------|--------------|----------|----------------|--------------|--------------|-------------------|
| | | Shares | Exercise Price | Term (Years) | | |
| 7/10/17 | 14,616 | - | \$ - | - | (2) | \$ 26,308 (3) |
| 7/12/17 | 11,436 | - | \$ - | - | (2) | \$ 20,014 (3) |
| 7/18/17 | 8,334 | 2,000 | \$ 4.00 | 5 | (2) | \$ 17,697 (4) |
| 7/25/17 | 14,834 | - | \$ - | - | (2) | \$ 26,404 (3) |

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| | | | | | | | |
|---------|--------|--------|---------|---|----|-------------|-----|
| 7/26/17 | 10,461 | - | \$ - | - | (2 |) \$ 20,086 | (3) |
| 8/2/17 | 3,500 | - | \$ - | - | (2 |) \$ 6,458 | (5) |
| 8/8/17 | 6,660 | - | \$ - | - | (2 |) \$ 15,000 | (3) |
| 8/9/17 | 10,232 | - | \$ - | - | (2 |) \$ 20,158 | (3) |
| 8/18/17 | 10,000 | 10,000 | \$ 4.00 | 5 | (2 |) \$ 30,000 | (6) |
| 8/31/17 | 1,500 | - | \$ - | - | (2 |) \$ - | (5) |
| 9/12/17 | 6,000 | - | \$ - | - | (2 |) \$ 10,884 | (5) |
| 9/13/17 | 10,000 | - | \$ - | - | (2 |) \$ 20,000 | (7) |
| 9/27/17 | 6,279 | - | \$ - | - | (2 |) \$ 15,000 | (3) |

The value of the non-cash consideration was estimated to be the fair value of our restricted common stock. Since (1) our shares are thinly traded in the open market, the fair value of our equity instruments was estimated by management based on observations of the cash sales prices of both restricted shares and freely tradable shares.

(2) Accredited investor.

(3) Issued in connection with the conversion of convertible notes payable.

(4) Issued in consideration of accrued compensation.

(5) Issued in connection with issuance of debt.

(6) Issued for cash consideration.

(7) Issued in consideration of consulting services.

Item 3. Defaults Upon Senior Securities.

See “Liquidity and Capital Resources” within “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

None.

Item 6. Exhibits.

| Exhibit | Description |
|----------------|--|
| 31.1 | <u>Chief Executive Officer Certification</u> * |
| 31.2 | <u>Chief Financial Officer Certification</u> * |
| 32 | <u>Section 1350 Certification</u> ** |
| 101.INS | XBRL Instance Document * |
| 101.SCH | XBRL Schema Document * |
| 101.CAL | XBRL Calculation Linkbase Document * |
| 101.DEF | XBRL Definition Linkbase Document * |
| 101.LAB | XBRL Label Linkbase Document * |
| 101.PRE | XBRL Presentation Linkbase Document * |

* Filed herewith

** Furnished herewith

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: November 14, 2017 **BIORESTORATIVE THERAPIES, INC.**

By: */s/ Mark Weinreb*
Mark Weinreb
Chief Executive Officer
(Principal Executive and Financial Officer)

