BioRestorative Therapies, Inc.
Form 10-Q
May 14, 2012

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the Quarterly Period Ended March 31, 2012

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from ______ to ______

Commission file number: 000-54402

BIORESTORATIVE THERAPIES, INC.

(Exact name of registrant as specified in its charter)

Nevada	91-1835664
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

555 Heritage Drive **Jupiter, Florida**	33458
(Address of Principal Executive Offices)	(Zip Code)

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨

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

Large accelerated filer ¨	Accelerated filer ¨
Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company x

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

As of May 9, 2012, there were 683,422,945 shares of the issuer's common stock outstanding.

BIORESTORATIVE THERAPIES, INC & SUBSIDIARIES

(A COMPANY IN THE DEVELOPMENT STAGE)

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

Condensed Consolidated Balance Sheets

	March 31, 2012 (unaudited)	December 31, 2011
Assets		
Current Assets:		
Cash	$3,113	$71,508
Prepaid expenses and other current assets	8,451	46,915
Total Current Assets	11,564	118,423
Property and equipment, net	68,875	94,827
Intangible assets, net	3,216	3,308
Security deposit	4,415	4,415
Total Assets	$88,070	$220,973
Liabilities and Stockholders' Deficiency		
Current Liabilities:		
Accounts payable	$739,182	$426,184
Accrued expenses and other current liabilities	615,332	440,229
Notes payable, net of debt discount of $106,079 and $149,043 at March 31, 2012 and December 31, 2011, respectively	3,059,421	3,040,957
Total Current Liabilities	4,413,935	3,907,370
Commitments and contingencies		
Stockholders' Deficiency:		
Preferred stock, $0.01 par value; Authorized, 1,000,000 shares; none issued and outstanding at March 31, 2012 and December 31, 2011	-	-
Common stock, $0.001 par value;		

Authorized, 1,500,000,000 shares;		
Issued 655,922,945 and 635,614,845 shares		
at March 31, 2012 and December 31, 2011, respectively;		
Outstanding 627,991,911 and 607,683,811 shares		
at March 31, 2012 and December 31, 2011, respectively	655,923	635,615
Additional paid-in capital	4,069,092	3,234,486
Deficit accumulated during development stage	(9,018,880)	(7,524,498)
Treasury stock, at cost, 27,931,034 shares		
at March 31, 2012 and December 31, 2011	(32,000)	(32,000)
Total Stockholders' Deficiency	(4,325,865)	(3,686,397)
Total Liabilities and Stockholders' Deficiency	$88,070	$220,973

See Notes to these Condensed Consolidated Financial Statements.

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

Condensed Consolidated Statements of Operations

(unaudited)

	For The Three Months Ended		Period from December 30, 2008 (Inception) to
	March 31, 2012	2011	March 31, 2012
Revenues	$-	$-	$-
Operating Expenses			
Marketing and promotion	39,987	44,805	347,805
Payroll and benefits	504,418	543,431	2,645,456
Consulting expense	418,966	195,858	2,639,574
General and administrative	358,804	233,512	2,450,893
Research and development	2,050	-	25,670
Total Operating Expenses	1,324,225	1,017,606	8,109,398
Loss From Operations	(1,324,225)	(1,017,606)	(8,109,398)
Other Income (Expense)			
Other income	-	-	11,457
Interest expense	(127,097)	(24,404)	(415,595)
Amortization of debt discount	(66,137)	(71,087)	(622,233)
Gain on settlement of note and payables, net	23,077	-	106,525
Total Other Expense	(170,157)	(95,491)	(919,846)
Net Loss	$(1,494,382)	$(1,113,097)	$(9,029,244)

Net Loss Per Share - Basic and Diluted	$(0.00)	$(0.00)
Weighted Average Number of Common Shares Outstanding - Basic and Diluted	600,151,354	547,894,007

See Notes to these Condensed Consolidated Financial Statements.

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

Condensed Consolidated Statement of Changes in Stockholders' Deficiency
For the Three Months Ended March 31, 2012

(unaudited)

	Common Stock		Additional Paid-In Capital	Deficit Accumulated During Development Stage	Treasury Stock		Total
	Shares	Amount			Shares	Amount	
Balance - December 31, 2011	635,614,845	$635,615	$3,234,486	$(7,524,498)	(27,931,034)	$(32,000)	$(3,686,397)
Shares issued for consulting services - (at $0.008)	2,423,100	2,423	17,592	-	-	-	20,015
Shares issued as debt discount in connection with notes payable - (at $0.007)	3,135,000	3,135	20,038	-	-	-	23,173
Shares and warrants issued for cash - (at $0.025)	11,000,000	11,000	264,000	-	-	-	275,000
Shares and warrants issued in exchange of notes payable (at $0.02)	3,750,000	3,750	71,250	-	-	-	75,000
Stock-based compensation	-	-	461,726	-	-	-	461,726
Net loss	-	-	-	(1,494,382)	-	-	(1,494,382)
Balance - March 31, 2012	655,922,945	$655,923	$4,069,092	$(9,018,880)	(27,931,034)	$(32,000)	$(4,325,865)

See Notes to these Condensed Consolidated Financial Statements.

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

Condensed Consolidated Statements of Cash Flows

(unaudited)

	For The Three Months Ended March 31, 2012	2011	Period from December 30, 2008 (Inception) to March 31, 2012
Cash Flows From Operating Activities			
Net loss	$(1,494,382)	$(1,113,097)	$(9,029,244)
Adjustments to reconcile net loss to net cash used in operating activities:			
Amortization of debt discount	66,137	71,087	622,233
Depreciation and amortization	26,044	24,754	171,226
Loss on sale of property and equipment	-	-	21,614
Stock-based compensation	481,741	209,559	2,763,892
Gain on settlement of note and payables, net	(23,077)	-	(106,525)
Changes in operating assets and liabilities:			
Prepaid expenses and other current assets	38,464	(101,544)	(8,451)
Security deposit	-	(4,415)	(4,415)
Accounts payable	312,998	(88,451)	681,701
Accrued expenses and other current liabilities	198,180	152,196	750,909
Total Adjustments	1,100,487	263,186	4,892,184
Net Cash Used in Operating Activities	(393,895)	(849,911)	(4,137,060)
Cash Flows From Investing Activities			
Purchases of property and equipment	-	(6,891)	(163,243)
Proceeds from sale of property and equipment	-	-	32,000
Acquisition of intangible assets	-	-	(3,676)
Net Cash Used in Investing Activities	-	(6,891)	(134,919)
Cash Flows From Financing Activities			
Proceeds from notes payable	100,500	1,437,500	3,674,139
Repayments of notes payable	(50,000)	(93,032)	(535,222)
Advances from officer	22,000	-	48,000
Repayment of advances from officer	(22,000)	-	(48,000)
Proceeds from exercise of warrants	-	-	1,875

Repurchase of common stock	-	-	(32,000)
Sales of common stock and warrants for cash	275,000	-	1,166,300
Net Cash Provided by Financing Activities	325,500	1,344,468	4,275,092
Net (Decrease) Increase In Cash	(68,395)	487,666	3,113
Cash - Beginning	71,508	18,074	-
Cash - Ending	$3,113	$505,740	$3,113

See Notes to these Condensed Consolidated Financial Statements

BIORESTORATIVE THERAPIES, INC. & SUBSIDIARIES

(A COMPANY IN THE DEVELOPMENT STAGE)

Condensed Consolidated Statements of Cash Flows--Continued

(unaudited)

	For The Three Months Ended March 31, 2012	2011	Period from December 30, 2008 (Inception) to March 31, 2012
Supplemental Disclosures of Cash Flow Information:			
Cash paid during the period for:			
Interest	$114,779	$29,621	$ 317,776
Non-cash investing and financing activites:			
Shares issued as debt discount in connection with notes payable	$23,173	$203,806	$ 721,341
Shares issued in connection with reverse recapitalization	$-	$-	$ 362,000
Shares issued pursuant to reverse recapitalization and subsequently cancelled	$-	$-	$ 146,195
Shares issued (issuable) as debt discount in connection with note payable	$-	$6,971	$ -
Purchase of property and equipment for note payable	$-	$-	$ 291,055
Purchase of property and equipment for account payable	$-	$-	$ 60,000
Accrued payable for treasury shares repurchased	$-	$-	$ 7,000
Shares reissued to former President	$-	$12,577	$ 12,577
Property and equipment returned in connection with settlement of note payable, net	$-	$-	$ 226,043
Shares and warrants issued in exchange of notes payable	$75,000	$-	$ 75,000

See Notes to these Condensed Consolidated Financial Statements

BIORESTORATIVE THERAPIES, INC. & SUBSIDIARIES

(A COMPANY IN THE DEVELOPMENT STAGE)

Notes to Condensed Consolidated Financial Statements

(unaudited)

Note 1 - Business Organization and Nature of Operations

BioRestorative Therapies, Inc. (and including its subsidiaries, the “Company”) is a development stage enterprise whose primary activities since inception have been the development of its business plan, negotiating strategic alliances and other agreements, and raising capital.

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) for interim financial information. Accordingly, they do not include all of the information and disclosures required by GAAP for annual financial statements. In the opinion of management, such statements include all adjustments (consisting only of normal recurring items) which are considered necessary for a fair presentation of the condensed consolidated financial statements of the Company as of March 31, 2012, for the three months ended March 31, 2012 and 2011 and for the period from December 30, 2008 (inception) to March 31, 2012. The results of operations for the three months ended March 31, 2012 are not necessarily indicative of the operating results for the full year ending December 31, 2012. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and related disclosures of the Company as of December 31, 2011 and for the year then ended, and for the period from December 30, 2008 (inception) to December 31, 2011, which were filed with the Securities and Exchange Commission on Form 10-K on April 16, 2012.

Note 2 - Going Concern and Management Plans

As of March 31, 2012, the Company had a working capital deficiency and a stockholders’ deficiency of $4,402,371 and $4,325,865, respectively. The Company has not generated any revenues and incurred net losses of $9,029,244 during the period from December 30, 2008 (inception) through March 31, 2012. These conditions raise substantial doubt about the Company’s ability to continue as a going concern.

The Company's primary source of operating funds since inception has been its stockholders and note financings. The Company intends to raise additional capital through private debt and equity investors. The Company is currently a development stage company and there is no assurance that these funds will be sufficient to enable the Company to fully complete its development activities or attain profitable operations.

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

Subsequent to March 31, 2012, the Company raised $1,500,000 and $375,000 through debt and equity financing, respectively, exchanged $175,000 of debt into equity, and extended the maturities of $1,112,500 of notes. The Company currently has notes payable aggregating $435,000 which are past their maturity dates. The Company is currently in the process of negotiating extensions or discussing conversions to equity with respect to these notes. See Note 8 – Subsequent Events for additional details.

Note 3 - Summary of Significant Accounting Policies

<u>Principles of Consolidation</u>

The unaudited condensed consolidated financial statements of the Company include the accounts of Stem Cell Cayman Ltd. (“Cayman”), Stem Pearls, LLC and Lipo Rejuvenation Centers, Inc. (an inactive entity; see Note 8 – Subsequent Events – Lipo Rejuvenation Centers, Inc. Dissolved). All significant intercompany transactions have been eliminated in the consolidation.

BIORESTORATIVE THERAPIES, INC. & SUBSIDIARIES

(A COMPANY IN THE DEVELOPMENT STAGE)

Notes to Condensed Consolidated Financial Statements

(unaudited)

Note 3 - Summary of Significant Accounting Policies - Continued

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at dates of the financial statements and the reported amounts of revenue and expenses during the periods. Actual results could differ from these estimates. The Company's significant estimates and assumptions include the recoverability and useful lives of long-lived assets, the fair value of the Company's stock, stock-based compensation, debt discount and the valuation allowance related to the Company's deferred tax assets.

Concentrations of Credit Risk

The Company maintains deposits in a financial institution which is insured by the Federal Deposit Insurance Corporation ("FDIC"). At various times, the Company has deposits in this financial institution in excess of the amount insured by the FDIC. As of March 31, 2012, the Company had $317 deposited with an offshore financial institution which is not insured by the FDIC.

Net Loss Per Common Share

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

The Company's weighted average number of common shares as of March 31, 2012 includes issued and outstanding common shares and the underlying shares issuable upon the exercise of the 20,000,000 and 2,000,000 exercisable options and warrants, respectively, with an exercise price of $0.01 or less. The Company's weighted average number of common shares as of March 31, 2011 includes issued and outstanding common shares and the underlying shares issuable upon the exercise of the 72,000,000 and 2,000,000 exercisable options and warrants, respectively, with an exercise price of $0.01 or less. See Note 7, Stockholders' Deficiency. In accordance with ASC 260 – Earnings Per Share ("ASC 260"), the Company has given effect to the issuance of these options and warrants in computing basic and diluted net loss per share.

The Company's issued and outstanding common shares as of March 31, 2012 include 40,000,000 shares of stock awards that are non-vested. In accordance with ASC 260, the Company has not given effect to the issuance of these shares in computing basic net loss per share.

Potentially dilutive securities realizable from the vesting of 40,000,000 shares of restricted stock and the exercise of options and warrants for the purchase of 120,150,000 and 8,500,000 shares, respectively, as of March 31, 2012 were excluded from the computation of diluted net loss per share because the effect of their inclusion would have been anti-dilutive. There were no potentially dilutive securities as of March 31, 2011.

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 and directors, 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 interim financial reporting dates until the service period is complete. The fair value amount is then recognized over the period during which services are required to be provided in exchange for the award, usually the vesting period. Since the shares underlying the Company's 2010 Equity Participation Plan (the "Plan") are not currently registered, the fair value of the Company's restricted equity instruments was estimated by management based on observations of the cash sales prices of both restricted shares and freely tradable shares.

Stock-based compensation for non-employees and directors is reflected in consulting expenses in the condensed consolidated statements of operations. Stock-based compensation for employees is reflected in payroll and benefits in the condensed consolidated statements of operations.

BIORESTORATIVE THERAPIES, INC. & SUBSIDIARIES

(A COMPANY IN THE DEVELOPMENT STAGE)

Notes to Condensed Consolidated Financial Statements

(unaudited)

Note 3 - Summary of Significant Accounting Policies - Continued

Reclassifications

Certain prior period amounts have been reclassified for comparative purposes to conform to the fiscal 2012 presentation. These reclassifications have no impact on previously reported earnings.

Subsequent Events

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

Note 4 - Accrued Expenses and Other Current Liabilities

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

	March 31, 2012 (unaudited)	December 31, 2011

Accrued loan interest	$ 50,066	$ 39,283
Credit card payable	8,988	17,026
Accrued payroll and severance	454,417	250,571
Other accrued expenses	52,912	89,200
Deferred rent	48,949	44,149
Total	$ 615,332	$ 440,229

Note 5 - Notes Payable

During the three months ended March 31, 2012, the Company issued an additional $100,500 of notes payable. In connection with the financings, 2,010,000 shares of common stock, with a relative fair value of $14,249, were issued to the lenders and were recorded as a debt discount. These notes are payable 3-6 months from the date of issuance and have a rate of interest of 10-15% per annum.

During the three months ended March 31, 2012, the maturity dates of certain notes payable with an aggregate principal balance of $560,000 were extended to May 2012 through August 2012 and the investors received an aggregate of 1,125,000 shares of common stock with a relative fair value of $8,924. All of the extended notes bear a 15% interest rate per annum payable monthly.

During the three months ended March 31, 2012, the Company repaid a note payable with a principal amount of $50,000.

During the three months ended March 31, 2012, the Company and three investors agreed to exchange three notes with an aggregate principal balance of $75,000 for an aggregate of 3,750,000 shares of common stock and five-year warrants to purchase an aggregate of 1,500,000 shares of common stock at an exercise price of $0.03 per share. The warrants had an aggregate grant date value of $11,460. The investors received piggyback registration rights related to the stock and the stock issuable pursuant to the warrants.

The Company recorded amortization of debt discount of $66,137 and $71,087 during the three months ended March 31, 2012 and 2011, respectively. Aggregate amortization of debt discount from December 30, 2008 (inception) to March 31, 2012 was $622,233.

BIORESTORATIVE THERAPIES, INC. & SUBSIDIARIES

(A COMPANY IN THE DEVELOPMENT STAGE)

Notes to Condensed Consolidated Financial Statements

(unaudited)

Note 6 - Commitments and Contingencies

Operating Lease

Rent expense amounted to approximately $27,000 and $22,000 for the three months ended March 31, 2012 and 2011, respectively. Rent expense for the period from December 30, 2008 (inception) to March 31, 2012 was approximately $159,000. Rent expense is reflected in general and administrative expenses in the condensed consolidated statements of operations.

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. Such matters are subject to many uncertainties, and outcomes are not predictable with assurance. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Company’s condensed consolidated financial position or results of operations.

License Agreement

On January 27, 2012, the Company entered into a license agreement with Regenerative Sciences, LLC (“RS”) (as amended on March 21, 2012, the “RS Agreement”). See Note 8 – Subsequent Events – License Agreement Closing for additional details.

Consulting Agreements

Marketing Consulting Services

On January 1, 2012, the agreement for marketing consulting services was further extended to December 31, 2012, pursuant to which the Company will pay a cash fee of $10,000 per month and the Company granted an immediately vested, five-year warrant to purchase 2,000,000 shares of common stock at an exercise price of $0.02 per share. The grant date value of $12,800 was recognized immediately. See Note 8 – Subsequent Events – Marketing Consulting Services for details associated with the amended extension of the agreement for marketing consulting services.

Employment Agreements

Chief Executive Officer (the "CEO")

On February 10, 2012, the Board approved (1) the extension of the CEO's employment agreement for an additional two years (through October 2015) at the same compensation as the third year; (2) an option grant to the CEO, as described below; and (3) the payment of a $70,000 discretionary bonus to the CEO in connection with the signing of the RS Agreement. The employment agreement shall be extended for successive one year periods unless either party provides ninety days written notice to the other party. The discretionary bonus was paid on April 13, 2012. The Company granted a ten-year option to the CEO to purchase an aggregate of 50,000,000 shares of common stock at an exercise price of $0.021 per share. The option vests to the extent of one-third of the shares immediately, one-third on the first anniversary of the date of grant and one-third on the second anniversary of the date of grant. See Note 7 – Stockholders' Deficiency – Stock Options – Employee Awards for additional details. See Note 8 – Subsequent Events – Common Stock Award Vesting for updates associated with the CEO's compensation arrangement.

Former Chief Financial Officer (the "Former CFO")

On January 4, 2012, the Company agreed to settle the remaining $46,154 due pursuant to the Former CFO's termination agreement for $23,077 and the Company recorded a $23,077 gain on settlement of the payable.

BIORESTORATIVE THERAPIES, INC. & SUBSIDIARIES

(A COMPANY IN THE DEVELOPMENT STAGE)

Notes to Condensed Consolidated Financial Statements

(unaudited)

Note 7 - Stockholders' Deficiency

Shareholder Actions

On February 10, 2012, the shareholders of the Company approved (a) an increase in the authorized common stock to 1,500,000,000 shares from 800,000,000 shares; and (b) giving the Board the discretion to effect a reverse stock split of the Company's common stock by a ratio of not less than 1-for-10 and not more than 1-for-150. The Board has not yet approved a reverse stock split.

Common Stock Issuances

During the three months ended March 31, 2012, the Company issued an aggregate of 11,000,000 shares of common stock at a price of $0.025 per share to investors for aggregate gross proceeds of $275,000. In connection with the purchases, the Company issued warrants for the purchase of an aggregate of 2,750,000 shares of common stock, which are exercisable over a period of five years at an exercise price of $0.03 per share of common stock. The warrants had an aggregate grant date value of $21,000.

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

Stock Warrants

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

	For The Three Months Ended March 31, 2012	
Risk free interest rate	0.71	%
Expected term (years)	5.00	
Expected volatility	182.00	%
Expected dividends	0.00	%

The weighted average estimated fair value of the warrants granted during the three months ended March 31, 2012 was approximately $0.01 per share. There were no warrants granted during the three months ended March 31, 2011.

A summary of the status of the warrants issued during the three months ended March 31, 2012 is presented below:

Number of	Weighted Average	Weighted Average Remaining	Aggregate