

LIVEPERSON INC
Form 4
July 18, 2013

FORM 4

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

OMB APPROVAL

OMB Number: 3235-0287
Expires: January 31, 2015
Estimated average burden hours per response... 0.5

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. See Instruction 1(b).

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
Kovach Michael I.

(Last) (First) (Middle)

C/O LIVEPERSON, INC., 475
TENTH AVENUE, 5TH FLOOR

(Street)

NEW YORK, NY 10018

(City) (State) (Zip)

2. Issuer Name and Ticker or Trading Symbol
LIVEPERSON INC [LPSN]

3. Date of Earliest Transaction
(Month/Day/Year)
07/16/2013

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

____ Director _____ 10% Owner
 Officer (give title below) _____ Other (specify below)
SVP, Corporate Controller

6. Individual or Joint/Group Filing(Check Applicable Line)
 Form filed by One Reporting Person
____ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1. Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)	4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)	5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price
Common Stock	07/16/2013		M		11,732	A	\$ 7.02 13,532
Common Stock	07/16/2013		S		11,732	D	\$ 9.75 1,800 ⁽¹⁾
Common Stock	07/17/2013		M		10,000	A	\$ 7.02 11,800
Common Stock	07/17/2013		S		10,000	D	\$ 10 1,800 ⁽¹⁾
Common Stock	07/17/2013		M		10,000	A	\$ 1.79 11,800

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Common Stock 07/17/2013 S 10,000 D \$ 10.25 1,800 ⁽¹⁾ D

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474
(9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(e.g., puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)	5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)	6. Date Exercisable and Expiration Date (Month/Day/Year)	7. Title and Amount of Underlying Securities (Instr. 3 and 4)	8. Amount or Number of Shares
Stock Option (Right to Buy)	\$ 7.02	07/16/2013		M	11,732	⁽²⁾ 06/17/2020	Common Stock	11,732
Stock Option (Right to Buy)	\$ 7.02	07/17/2013		M	10,000	⁽²⁾ 06/17/2020	Common Stock	10,000
Stock Option (Right to Buy)	\$ 1.79	07/17/2013		M	10,000	⁽²⁾ 03/05/2019	Common Stock	10,000

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
Kovach Michael I. C/O LIVEPERSON, INC. 475 TENTH AVENUE, 5TH FLOOR NEW YORK, NY 10018			SVP, Corporate Controller	

Signatures

/s/ Michael I.
Kovach

07/18/2013

__Signature of
Reporting Person

Date

Explanation of Responses:

- * If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).
 - ** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).
- (1) Held in a joint account with the Reporting Person's spouse.
 - (2) The option is fully vested and currently exercisable.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure. Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. state standards as electronic and other means of transmitting protected health information evolve

In addition to the above-described regulation by United States federal and state government, the following are other federal and state laws and regulations that could directly or indirectly affect our ability to operate the business:

- state and local licensure, registration, and regulation of the development of pharmaceuticals and biologics;
- state and local licensure of medical professionals;
- state statutes and regulations related to the corporate practice of medicine;
- laws and regulations administered by U.S. Customs and Border Protection (“CBP”) related to the importation of biological material into the United States;
- other laws and regulations administered by the U.S. Food and Drug Administration;
- other laws and regulations administered by the U. S. Department of Health and Human Services;
- state and local laws and regulations governing human subject research and clinical trials;
- the federal physician self-referral prohibition, also known as Stark Law, and any state equivalents to Stark Law;
- the federal Anti-Kickback Law and any state equivalent statutes and regulations;
- Federal and state coverage and reimbursement laws and regulations;
- state and local laws and regulations for the disposal and handling of medical waste and biohazardous material;
- Occupational Safety and Health (“OSHA”) regulations and requirements;
- the Intermediate Sanctions rules of the IRS providing for potential financial sanctions with respect to “Excess Benefit Transactions” with HUMC or other tax-exempt organizations; and
- the Physician Payments Sunshine Act (in the event that our products are classified as drugs, biologics, devices or medical supplies and are reimbursed by Medicare, Medicaid or the Children’s Health Insurance Program).

Any violation of these laws could result in a material adverse effect on our business.

Since our stem cell therapy operations will in all likelihood initially commence in foreign jurisdictions, we will need to comply with the government regulations of each individual country in which our therapy centers are located and products are to be distributed and sold. These regulations vary in complexity and can be as stringent, and on occasion even more stringent, than FDA regulations in the United States. Due to the fact that there are new and emerging cell therapy and cell banking regulations that have recently been drafted and/or implemented in various countries around the world, the application and subsequent implementation of these new and emerging regulations have little to no precedence. Therefore, the level of complexity and stringency is not always precisely understood today for each country, creating greater uncertainty for the international regulatory process. Furthermore, government regulations can change with little to no notice and may result in up-regulation of our product(s), thereby creating a greater regulatory burden for our cell processing and cell banking technology products. We have not yet thoroughly explored the applicable laws and regulations that we will need to comply with in foreign jurisdictions. It is possible that we may not be permitted to expand our business into one or more foreign jurisdictions.

We intend to conduct our business in full compliance with all applicable federal, state and local, and foreign laws and regulations. However, the laws and regulations affecting our business are complex and often are not contemplated by existing legal régimes. As a result, the laws and regulations affecting our business are uncertain and have not been the subject of judicial or regulatory interpretation. Furthermore, stem cells and cell therapy are topics of interest in the government and public arenas. There can be no guarantee that laws and regulations will not be implemented, amended and/or reinterpreted in a way that will negatively affect our business.

To operate and sell in international markets carries great risk.

We intend to market our services and products both domestically and in foreign markets. A number of risks are inherent in international transactions. In order for us to service and market our products in non-U.S. jurisdictions, we need to obtain and maintain required regulatory approvals or clearances in these countries and must comply with the country specific regulations regarding safety, manufacturing processes and quality. These regulations, including the requirements for approvals or clearances to market, may differ from the FDA regulatory scheme. International operations and sales also may be limited or disrupted by political instability, price controls, trade restrictions and changes in tariffs. Additionally, fluctuations in currency exchange rates may adversely affect demand for our services and products by increasing the price of our services and products in the currency of the countries in which the services and products are offered.

There can be no assurance that we will obtain regulatory approvals or clearances in all of the countries where we intend to market our services and products, or that we will not incur significant costs in obtaining or maintaining foreign regulatory approvals or clearances, or that we will be able to successfully commercialize our services and products in various foreign markets. Delays in receipt of approvals or clearances to market our services and products

in foreign countries, failure to receive such approvals or clearances or the future loss of previously received approvals or clearances could have a substantial negative effect on our results of operations and financial condition.

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Changing, new and/or emerging government regulations may adversely affect our business.

Government regulations can change without notice. Due to the fact that there are new and emerging cell therapy and cell banking regulations that have recently been drafted and/or implemented in various countries around the world, the application and subsequent implementation of these new and emerging regulations have little to no precedence. Therefore, the level of complexity and stringency is not known and may vary from country to country, creating greater uncertainty for the international regulatory process.

Anticipated or unanticipated changes in the way or manner in which the FDA and other similarly situated government authorities regulate services and products or classes/groups of services and products can delay, further burden, or alleviate regulatory pathways that were once available to other services and products. There are no guarantees that such changes to the regulatory process will not deleteriously affect our contemplated operations.

There is uncertainty with regard to the extent of the FDA's regulatory authority.

As discussed in Item 1 (“Business – Disc/Spine Program”), the FDA has brought an action to permanently enjoin Regenerative from using its Regenexx™ procedure to process mesenchymal stem cells (“MSCs”) for the treatment of various orthopedic conditions. The lawsuit relates to a procedure utilized by Regenerative whereby a patient’s own MSC cells are extracted and isolated from the patient’s bone marrow, processed at a laboratory on site for two to three weeks to undergo expansion, and then returned to the same patient to treat a medical condition. The FDA has asserted that Regenerative’s stem cell procedure is subject to FDA jurisdiction and regulation as an unapproved drug and/or biologic. Regenerative takes the position that the Regenexx™ procedure is the practice of medicine and thereby is outside of the FDA’s jurisdiction. It also contends that the manipulation of the stem cells occurs in the normal course of medical practice which is regulated by Colorado, the state in which Regenerative is located. The FDA contends that it is not impinging on Regenerative’s ability to practice medicine; instead, it considers the product being reinjected into the patient to be a cultured cell product subject to the FDA’s regulations governing the use of human cells, tissues, and cellular and tissue-based products (“HCT/Ps”). According to the FDA’s position, the Regenexx™ procedure involves growth factors, reagents and drug products that cross state lines thereby placing the product in interstate commerce. Moreover, the FDA contends that the product is more than “minimally manipulated” and, consequently, does not meet the conditions listed in 21 C.F.R. Part 1271 that exempt HCT/Ps from being regulated as drugs, devices, and/or biological products. Regenerative has agreed to cease production of the cultured cell product while the case is pending. The District Court ruled in favor of FDA, but the case has been appealed and is currently pending. The outcome of this action could have a material effect on our business. In the event that the FDA prevails, in all likelihood, we will need to proceed with the FDA approval process for our initiatives as discussed above. If Regenerative succeeds in the action, depending upon the breadth of the decision or the settlement of the lawsuit, the extent of FDA oversight may be limited or the scope of the clinical trials needed to be performed in connection with our FDA approval process may be reduced. We can give no assurances in this regard. Pending a final determination of this action, there is great uncertainty with regard to the FDA’s regulatory authority of the business in which we plan to operate. See Item 1 (“Business – Government Regulation”).

Our inability to obtain reimbursement for our services and products from private and governmental insurers could negatively impact demand for our services and products.

Successful sales of health care services and products generally depends, in part, upon the availability and amounts of reimbursement from third party healthcare payor organizations, including government agencies, private healthcare insurers and other healthcare payors, such as health maintenance organizations and self-insured employee plans. Uncertainty exists as to the availability of reimbursement for such new therapies as stem cell-based therapies. There can be no assurance that such reimbursement will be available in the future at all or without substantial delay or, if such reimbursement is provided, that the approved reimbursement amounts will be sufficient to support demand for our services and products at a level that will be profitable.

If safety problems are encountered by us or others developing new stem cell-based therapies, our stem cell initiatives could be materially and adversely affected.

The use of stem cells for therapeutic indications is still in the very early stages of development. If an adverse event occurs during clinical trials related to one of our proposed services and/or products or those of others, the FDA and other regulatory authorities may halt clinical trials or require additional studies. The occurrence of any of these events would delay, and increase the cost of, our development efforts and may render the commercialization of our proposed services and/or products impractical or impossible.

Ethical and other concerns surrounding the use of stem cell therapy may negatively impact the public perception of our stem cell services, thereby suppressing demand for our services.

Although our contemplated stem cell business pertains to adult stem cells only, and does not involve the more controversial use of embryonic stem cells, the use of adult human stem cells for therapy could give rise to similar ethical, legal and social issues as those associated with embryonic stem cells, which could adversely affect its acceptance by consumers and medical practitioners. Additionally, it is possible that our business could be negatively impacted by any stigma associated with the use of embryonic stem cells if the public fails to appreciate the distinction between adult and embryonic stem cells. Delays in achieving public acceptance may materially and adversely affect the results of our operations and profitability.

We are vulnerable to competition and technological change, and also to physicians' inertia.

We will compete with many domestic and foreign companies in developing our technology and products, including biotechnology, medical device and pharmaceutical companies. Many current and potential competitors have substantially greater financial, technological, research and development, marketing, and personnel resources. There is no assurance that our competitors will not succeed in developing alternative services and/or products that are more effective, easier to use, or more economical than those which we may develop, or that would render our services and/or products obsolete and non-competitive. In general, we may not be able to prevent others from developing and marketing competitive services and/or products similar to ours or which perform similar functions or which are marketed before ours.

Competitors may have greater experience in developing therapies or devices, conducting clinical trials, obtaining regulatory clearances or approvals, manufacturing and commercialization. It is possible that competitors may obtain patent protection, approval, or clearance from the FDA or achieve commercialization earlier than we can, any of which could have a substantial negative effect on our business.

We will compete against cell-based therapies derived from alternate sources, such as bone marrow, umbilical cord blood and potentially embryos. Doctors historically are slow to adopt new technologies like ours, whatever the merits, when older technologies continue to be supported by established providers. Overcoming such inertia often requires very significant marketing expenditures or definitive product performance and/or pricing superiority.

We expect that physicians' inertia and skepticism will also be a significant barrier as we attempt to gain market penetration with our future services and products. We may need to finance lengthy time-consuming clinical studies (so as to provide convincing evidence of the medical benefit) in order to overcome this inertia and skepticism particularly in reconstructive surgery, cell preservation, the cardiovascular area and many other indications.

Most potential applications of our technology are pre-commercialization, which subjects us to development and marketing risks.

We are in an early stage on the path to commercialization with many of our services and products, including with regard to our brown fat initiative. We believe that our long-term viability and growth will depend in large part on our ability to develop commercial quality cell processing devices and useful procedure-specific consumables, and to establish the safety and efficacy of our therapies through clinical trials and studies. There is no assurance that our development programs will be successfully completed or that required regulatory clearances or approvals will be obtained on a timely basis, if at all.

Successful development and market acceptance of our services and products will be subject to developmental risks, including failure of inventive imagination, ineffectiveness, lack of safety, unreliability, failure to receive necessary regulatory clearances or approvals, high commercial cost, preclusion or obsolescence resulting from third parties' proprietary rights or superior or equivalent services and products, competition from copycat services and products, and general economic conditions affecting purchasing patterns. There is no assurance that we will successfully develop and commercialize our services and products, or that our competitors will not develop competing technologies that are less expensive or superior. Failure to successfully develop and market our services and products would have a substantial negative effect on our results of operations and financial condition.

Future clinical trial results may differ significantly from our expectations.

In the event that we undertake clinical trials, we cannot guarantee that we will not experience negative results. Poor results in our clinical trials could result in substantial delays in commercialization, substantial negative effects on the perception of our services and products, and substantial additional costs. These risks may be increased by our reliance on third parties in the performance of many of the clinical trial functions, including clinical investigators, hospitals, and other third party service providers.

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Continued turmoil in the economy could harm our business.

Negative trends in the general economy, including, but not limited to, trends resulting from an actual or perceived recession, tightening credit markets, increased cost of commodities, actual or threatened military action by the United States and threats of terrorist attacks in the United States and abroad, could cause a reduction of investment in and available funding for companies in certain industries, including ours. Our ability to raise capital has been and may in the future be adversely affected by downturns in current credit conditions, financial markets and the global economy.

We may not have enough product liability insurance.

The testing, manufacturing, marketing, and sale of our regenerative cell services and products will involve an inherent risk that product liability claims will be asserted against us, our distribution partners, or licensees. There can be no guarantee that our clinical trial and commercial product liability insurance will be adequate or will continue to be available in sufficient amounts or at an acceptable cost, if at all. A product liability claim, product recall, or other claim, as well as any claims for uninsured liabilities or in excess of insured liabilities, could have a substantial negative effect on our results of operations and financial condition. Also, well-publicized claims could cause our stock to fall sharply, even before the merits of the claims are decided by a court.

We pay no dividends.

We have never paid cash dividends in the past, and currently do not intend to pay any cash dividends in the foreseeable future.

There is, at present, only a limited market for our common stock and there is no assurance that an active trading market for our common stock will develop.

Although our common stock is quoted on the OTC Bulletin Board from time to time, the market for our common stock is extremely limited. In addition, although there have been market makers in our securities, we cannot assure that these market makers will continue to make a market in our securities or that other factors outside of our control will not cause them to stop market making in our securities. Making a market in securities involves maintaining bid and ask quotations and being able to effect transactions in reasonable quantities at those quoted prices, subject to various securities laws and other regulatory requirements. Furthermore, the development and maintenance of a public trading market depends upon the existence of willing buyers and sellers, the presence of which is not within our control or that of any market maker. Market makers are not required to maintain a continuous two-sided market, are required to honor firm quotations for only a limited number of shares, and are free to withdraw firm quotations at any time. Even with a market maker, factors such as our past losses from operations and the small size of our company mean that there can be no assurance of an active and liquid market for our securities developing in the foreseeable future. Even if a market develops, we cannot assure that a market will continue, or that shareholders will be able to resell their securities at any price.

Since our common stock is classified as “penny stock,” the restrictions of the SEC’s penny stock regulations may result in less liquidity for our common stock.

The SEC has adopted regulations which define a “penny stock” to be any equity security that has a market price (as therein defined) of less than \$5.00 per share or an exercise price of less than \$5.00 per share, subject to certain exceptions. For any transactions involving a penny stock, unless exempt, the rules require the delivery, prior to any transaction involving a penny stock by a retail customer, of a disclosure schedule prepared by the SEC relating to the penny stock market. Disclosure is also required to be made about commissions payable to both the broker/dealer and the registered representative and current quotations for the securities. Finally, monthly statements are required to be sent disclosing recent price information for the penny stock held in the account and information on the limited market in penny stocks. Because the market price for shares of our common stock is less than \$5.00, and we do not satisfy any of the exceptions to the SEC’s definition of penny stock, our common stock is classified as a penny stock. As a result of the penny stock restrictions, brokers or potential investors may be reluctant to trade in our securities, which may result in less liquidity for our common stock.

Shareholders who hold unregistered shares of our common stock are subject to resale restrictions pursuant to Rule 144 due to our former status as a “shell company.”

Pursuant to Rule 144 promulgated under the Securities Act of 1933, as amended (“Rule 144”), a “shell company” is defined as a company that has no or nominal operations and either no or nominal assets, assets consisting solely of cash and cash equivalents or assets consisting of any amount of cash and cash equivalents and nominal other assets.

We previously were a “shell company” pursuant to Rule 144, and, as such, sales of our securities pursuant to Rule 144 cannot be made unless, among other things, we continue to remain subject to Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and we file all of our required periodic reports with the Securities and Exchange Commission (the “SEC”) under the Exchange Act. Because our unregistered securities cannot be sold pursuant to Rule 144 unless we continue to meet such requirements, any unregistered securities we sell in the future or issue to consultants or employees, in consideration for services rendered or for any other purpose, will have no liquidity unless we continue to comply with such requirements. As a result, it may be more difficult for us to obtain financing to fund our operations and pay our consultants and employees with our securities instead of cash.

In the event that a significant amount of our outstanding debt is converted into equity, the percentage ownership of existing stockholders will be substantially diluted.

As of March 28, 2013, we had outstanding indebtedness in the amount of \$4,970,285. We intend to seek to have the debtholders convert all or a significant amount of such debt into equity. In the event of any such conversion, the percentage ownership of existing stockholders will be substantially diluted.

Our Board of Directors has the authority to effect a reverse split of our common stock. In the event that our Board implements such reverse split, it could have a material adverse effect upon the price of our shares. In addition, a reduction in our outstanding shares may not be accompanied by a proportionate decrease in our authorized common stock. In such event, there could be a greater likelihood of dilution of stockholder interests.

In February 2012, our stockholders approved a proposal to grant to our Board the authority to effect, during the following one year period, a reverse split of our common stock at a ratio of not less than 1-for-10 and not more than 1-for-150, with our Board having the discretion as to whether or not the reverse split is to be effected, and with the exact ratio of any reverse split to be set at a whole number within the above range as determined by our Board in its discretion. In December 2012, our stockholders approved a one year extension of such Board authority to February 2014. If the reverse stock split is implemented, the principal effect will be to proportionately decrease the number of outstanding shares of our common stock based on the reverse stock split ratio selected by our Board. Proportionate voting rights and other rights and preferences of the holders of our common stock will not be affected by the proposed reverse stock split. In such event, the reduction in the number of outstanding shares should be accompanied by a proportional increase in the price of our common stock; however, no assurance can be given that such price increase will occur or that any such price increase will be maintained.

In addition, in connection with any reverse split that may be effected, our Board is authorized to reduce the number of shares of common stock that we are authorized to issue by up to a proportionate amount. Therefore, if a 1-for-10 reverse split is effected, our Board may reduce the number of our authorized shares of common stock by up to ten times. We are currently authorized to issue up to 1,500,000,000 shares of common stock. If a 1-for-10 reverse split were effected, a proportionate reduction in authorized shares would reduce such number to 150,000,000. However, our Board is authorized to approve a reduction in authorized shares that is not as great as the reverse split ratio. If, for example, a 1-for-10 reverse split were effected but our authorized shares were reduced by only five times (to 300,000,000 shares), the number of authorized but unissued shares that our Board would have authority to issue would, in effect, be increased (since the number of outstanding shares would have been decreased to a greater extent on a proportionate basis than the number of authorized shares). Any issuances of common stock pursuant to such effective increase in authorized shares could lead to substantial dilution of the percentage ownership of existing stockholders.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Not applicable.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

The financial statements required by this Item 8 are included in this Annual Report following Item 15 hereof. As a smaller reporting company, we are not required to provide supplementary financial information.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

In February 2011, we engaged Marcum LLP as our independent registered public accounting firm; prior to that date, we did not have independent auditors.

ITEM 9A. 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 Exchange Act, such as this Annual 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 consolidated financial statements in conformity with United States generally accepted accounting principles.

In connection with the preparation of this Annual Report, 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 December 31, 2012, our disclosure controls and procedures were effective.

Explanation of Responses:

Internal Control over Financial Reporting

Management's Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) under the Exchange Act. Internal control over financial reporting is a process designed by, or under the supervision of, our Principal Executive and Financial Officer, and effected by the Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. GAAP including those policies and procedures that: (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect our transactions and the disposition of our assets, (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. GAAP and that receipts and expenditures are being made only in accordance with authorizations of our management and Board of Directors, and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with policies and procedures may deteriorate.

Management conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management concluded that our internal control over financial reporting was effective as of December 31, 2012.

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) under the Exchange Act) during the quarter ended December 31, 2012 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Limitations of the Effectiveness of Control

Explanation of Responses:

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.

No Attestation Report of Registered Public Accounting Firm

This Annual Report does not contain an attestation report of our independent registered public accounting firm regarding internal control over financial reporting since the rules for smaller reporting companies provide for this exemption.

ITEM 9B. OTHER INFORMATION.

None.

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PART III**ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.****Directors and Executive Officers**

Information regarding our directors and executive officers is set forth below. Each of our officers devotes his or her full business time in providing services on our behalf.

Name	Age	Positions Held
Mark Weinreb	60	Chief Executive Officer, President and Chairman of the Board
Francisco Silva	38	Vice President of Research and Development
Mandy D. Clyde	31	Vice President of Operations and Secretary
A. Jeffrey Radov	61	Director
Joel San Antonio	60	Director

Mark Weinreb

Mark Weinreb has served as our Chief Executive Officer since October 2010, as our President since February 2012 and as our Chairman of the Board since April 2011. From February 2003 to October 2009, Mr. Weinreb served as President of NeoStem, Inc., a public international biopharmaceutical company engaged in, among other things, adult stem cell-related operations. From October 2009 to October 2010, he was subject to a non-competition agreement with NeoStem and was not engaged in business. Mr. Weinreb also served as Chief Executive Officer and Chairman of the Board of Directors of NeoStem from February 2003 to June 2006. In 1976, Mr. Weinreb joined Bio Health Laboratories, Inc., a state-of-the-art medical diagnostic laboratory providing clinical testing services for physicians, hospitals, and other medical laboratories. He became the laboratory administrator in 1978 and then an owner and the laboratory's Chief Operating Officer in 1982. In such capacity, he oversaw all technical and business facets, including finance and laboratory science technology. Mr. Weinreb left Bio Health Labs in 1989 when the business was sold. In 1992, Mr. Weinreb founded Big City Bagels, Inc., a national chain of franchised upscale bagel bakeries and became Chairman and Chief Executive Officer of such entity. Big City Bagels went public in 1995, and in 1999 Mr. Weinreb redirected the company and completed a merger with an Internet service provider. From 2000 to 2002, Mr. Weinreb served as Chief Executive Officer of Jestertek, Inc., a software development company pioneering gesture recognition and control using advanced interactive proprietary video technology. Mr. Weinreb received a Bachelor of Arts degree in 1975 from Northwestern University and a Master of Science degree in 1982 in Medical Biology from C.W. Post, Long Island University. We believe that Mr. Weinreb's executive-level management experience, his extensive experience in the adult stem cell sector and his service on our Board since October 2010 give him the qualifications and skills to serve as one of our directors.

Francisco Silva

Francisco Silva served as our Vice President of Research and Development from April 2011 until March 2012 and has served in such position since March 2013. He served as our Research Scientist from March 2012 to June 2012 and as our Chief Scientist from June 2012 to March 2013. From 2007 to 2011, Mr. Silva served as Chief Executive Officer of DV Biologics LLC, and as President of DaVinci Biosciences, LLC, companies engaged in the commercialization of human based biologics for both research and therapeutic applications. From 2003 to 2007, Mr. Silva served as Vice President of Research and Development for PrimeGen Biotech LLC, a company engaged in the development of cell based platforms. From 2002 to 2003, he was a Research Scientist with PrimeGen Biotech and was responsible for the development of experimental designs that focused on germ line reprogramming stem cell platforms. Mr. Silva has taught courses in biology, anatomy and advanced tissue culture at California State Polytechnic University. He has obtained a number of patents relating to stem cells and has had numerous articles published with regard to stem cell research. Mr. Silva graduated from California State Polytechnic University with a degree in Biology. He also obtained a Graduate Presidential Fellowship and MBRS Fellowship from California State Polytechnic University. See Item 7 (“Management’s Discussion and Analysis of Financial Conditions and Results of Operations - Factors That May Affect Future Results and Financial Condition – We depend on our executive officers and on our ability to attract and retain additional qualified personnel. A pending action against our Vice President of Research and Development may limit our ability to utilize fully his capabilities. We do not currently have a Chief Financial Officer”) for a discussion of a pending action by Mr. Silva’s former employer, DaVinci Biosciences, LLC, against him. Pursuant to such action, DaVinci has obtained a preliminary injunction as to the use or dissemination by Mr. Silva of information he obtained from DaVinci. In addition, pursuant to such action, DaVinci is seeking to enforce a noncompetition agreement between DaVinci and Mr. Silva.

Mandy D. Clyde

Mandy D. Clyde has been our Vice President of Operations since August 2009. She has served as our Secretary since December 2010 and served on our Board from September 2010 to April 2011. From 2006 to 2009, Ms. Clyde served as Educational Envoy and then CME/CE Coordinator for Professional Resources in Management Education, an accredited provider of continuing medical education. She conducted needs assessments nationally to determine in which areas clinicians most needed current education. She also oversaw onsite educational meetings and analyzed data for outcomes reporting. From 2005 to 2006, Ms. Clyde served as surgical coordinator for Eye Surgery Associates and the Rand Eye Institute, two prominent physician practices in Florida. Ms. Clyde has experience in medical editing for educational programs and is a published author of advanced scientific and clinical content on topics including Alzheimer’s disease, breast cancer, sleep apnea and adult learning. She received a degree in Biology from Mercyhurst College.

A. Jeffrey Radov

A. Jeffrey Radov became a member of our Board and Chair of our Audit Committee in April 2011. Mr. Radov is an entrepreneur and businessman with 35 years of experience in media, communications and financial endeavors. Since 2002, he has served as the Managing Partner of Walworth Group, which provides consulting and advisory services to a variety of businesses, including hedge funds, media, entertainment and Internet companies, financial services firms and early stage ventures. Mr. Radov is also an advisor to GeekVentures, LLC, an incubator for technology startups in Israel. From 2008 to 2010, Mr. Radov was a Principal and Chief Operating Officer at Aldebaran Investments, LLC, a registered investment advisor. From 2005 to 2008, Mr. Radov was Chief Operating Officer at EagleRock Capital Management, a group of hedge funds. Prior to joining EagleRock, Mr. Radov was a founding investor in and Board member of Edusoft, Inc., an educational software company. From 2001 to 2002, Mr. Radov was a Founder-in-Residence at SAS Investors, an early-stage venture fund. From 1999 to 2001, Mr. Radov was CEO and Co-Founder of VocaLoca, Inc., an innovator in consumer-generated audio content on the Internet. Mr. Radov was a founding executive of About.Com, Inc., an online information source, and was its EVP of Business Development and Chief Financial Officer from its inception. In 1996, prior to founding About.Com, Mr. Radov was a Director at Prodigy Systems Company, a joint venture of IBM and Sears. Mr. Radov was also a principal in the management of a series of public limited partnerships that invested in the production and distribution of more than 130 major motion pictures. From 1982 to 1984, Mr. Radov was the Director of Finance at Rainbow Programming Enterprises, a joint venture among Cablevision Systems Corporation, Cox Broadcasting and Daniels & Associates. From 1977 to 1981, Mr. Radov was Director of Marketing at Winklevoss & Associates. Mr. Radov earned a Masters of Business Administration from The Wharton School of the University of Pennsylvania and holds a Bachelor of Arts degree from Cornell University. We believe that Mr. Radov's executive-level management experience and his extensive experience in the finance industry give him the qualifications and skills to serve as one of our directors.

Joel San Antonio

Joel San Antonio became a member of our Board and Chair of our Compensation and Nominating Committees in April 2011. Mr. San Antonio is the Chief Executive Officer of Lochem Capital, a nationwide factoring and purchase order broker. From August 2010 through March 2012, Mr. San Antonio served as Chairman of Warrantech/AMT Warranty, an operating subsidiary of Amtrust Financial Services Inc. From February 1988 through August 2010, he was Chairman and Chief Executive Officer of Warrantech Corporation, a leading provider of third party administration for insurance products. Warrantech was acquired by Amtrust Financial Services in 2010. Prior to founding Warrantech, Mr. San Antonio founded Little Lorraine Ltd., a company engaged in the manufacture of various brands of women's apparel. Mr. San Antonio has served as Chairman of the Board of American Doctors Network, a technology company engaged in the development of electronic medical records. He is a former board member of SearchHelp Inc., a company committed to online child protection and family safety, MedStrong International Corporation, a company engaged in the storage of emergency medical information, and Marc Pharmaceuticals, Inc., a company that, in conjunction with the Weill Medical Center at Cornell University, was engaged in the development and commercialization of cancer treatment products. Mr. San Antonio is engaged in a variety of philanthropic and charitable activities. Mr. San Antonio graduated from Ithaca College with a Bachelor of Science degree in Business Administration. We believe that Mr. San Antonio's executive-level management experience gives him the qualifications and skills to serve as one of our directors.

Scientific Advisory Board

The following persons are the members of our Scientific Advisory Board:

Name	Principal Positions
Wayne Marasco, M.D., Ph.D. Chairman	Professor, Department of Cancer Immunology & AIDS, Dana-Farber Cancer Institute; Professor of Medicine, Harvard Medical School; Principal Faculty Member, Harvard Stem Cell Institute
Amit Patel, M.D.	Associate Professor, Division of Cardiothoracic Surgery, University of Utah School of Medicine; Director of Clinical Regenerative Medicine and Tissue Engineering, University of Utah
Naiyer Imam, M.D.	Chairman and Chief Executive Officer, Advanced Medical Imaging and Teleradiology, LLC

Family Relationships

There are no family relationships among any of our executive officers and directors.

Term of Office

Each director will hold office until the next annual meeting of stockholders and until his successor is elected and qualified or until his earlier resignation or removal. Each executive officer will hold office until the initial meeting of the Board of Directors following the next annual meeting of stockholders and until his successor is elected and qualified or until his earlier resignation or removal.

Audit Committee

Explanation of Responses:

The Audit Committee of the Board of Directors is responsible for overseeing our accounting and financial reporting processes and the audits of our financial statements. The members of the Audit Committee are Messrs. Radov (Chair) and San Antonio.

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Audit Committee Financial Expert

Our Board of Directors has determined that Mr. Radov is an “audit committee financial expert,” as that is defined in Item 407(d)(5) of Regulation S-K. Mr. Radov is an “independent director” based on the definition of independence in Listing Rule 5605(a)(2) of The Nasdaq Stock Market.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16 of the Exchange Act requires that reports of beneficial ownership of common stock and changes in such ownership be filed with the Securities and Exchange Commission by Section 16 “reporting persons,” including directors, certain officers, holders of more than 10% of the outstanding common stock and certain trusts of which reporting persons are trustees. We are required to disclose in this Annual Report each reporting person whom we know to have failed to file any required reports under Section 16 on a timely basis during the fiscal year ended December 31, 2012. To our knowledge, based solely on a review of copies of Forms 3, 4 and 5 filed with the Securities and Exchange Commission and written representations that no other reports were required, during the fiscal year ended December 31, 2012, our officers, directors and 10% stockholders complied with all Section 16(a) filing requirements applicable to them.

Code of Ethics for Senior Financial Officers

Our Board of Directors has adopted a Code of Ethics for our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions. A copy of the Code of Ethics is posted on our website, www.biorestorative.com. We intend to satisfy the disclosure requirement under Item 5.05(c) of Form 8-K regarding an amendment to, or a waiver from, our Code of Ethics by posting such information on our website, www.biorestorative.com.

ITEM 11. EXECUTIVE COMPENSATION.

Summary Compensation Table

The following Summary Compensation Table sets forth all compensation earned in all capacities during the fiscal years ended December 31, 2012 and 2011 by our (i) principal executive officer, and (ii) all other executive officers, other than our principal executive officer, whose total compensation for the 2012 fiscal year, as determined by

Explanation of Responses:

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Regulation S-K, Item 402, exceeded \$100,000 (the individuals falling within categories (i) and (ii) are collectively referred to as the “Named Executive Officers”):

Name and Principal Position	Year	Salary	Bonus	Stock Awards	Option Awards	Nonqualified Incentive Plan Compensation	Nonqualified Deferred Compensation	All Other Compensation	Total
Mark Weinreb, Chief Executive Officer	2012	\$ 509,000	\$ 324,500 ⁽³⁾	-	\$ 696,000 ⁽⁴⁾	-	-	\$ 231,592	\$ 1,761,092 ⁽¹⁾
	2011	\$ 390,000	\$ 195,000 ⁽³⁾	\$ 123,900 ⁽⁴⁾⁽⁵⁾	-	-	-	\$ 87,975	\$ 796,875 ⁽²⁾
Francisco Silva, Vice President of Research and Development ⁽⁶⁾	2012	\$ 179,167	-	-	\$ 115,250 ⁽⁴⁾⁽⁷⁾	-	-	-	\$ 294,417
	2011	\$ 110,795	\$ 30,000	-	\$ 41,600 ⁽⁴⁾	-	-	-	\$ 182,395
Mandy Clyde, Vice President of Operations	2012	\$ 100,000	-	-	\$ 49,950 ⁽⁴⁾	-	-	-	\$ 149,950

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(1) Of the aggregate \$1,761,092 earned during 2012, \$696,000 represents the grant date value of non-cash stock-based compensation awards, irrespective of the vesting period of those awards. Of the earned remainder, \$444,992 and \$44,600 were paid in cash during 2012 and 2013 (prior to this annual report being filed), respectively, while \$575,500 remains unpaid. In addition to his contractual bonus, as discussed in footnote (3) below, a special bonus of \$70,000 was awarded and paid to Mr. Weinreb in connection with our entering into the license agreement with Regenerative Sciences, LLC described in Item 1 (“Business-Disc/Spine Program”). All Other Compensation includes \$197,192 paid to reimburse Mr. Weinreb for tax payments due on his non-cash stock-based compensation, plus automobile and vacation allowances, of which \$196,000 remains unpaid.

(2) Of the aggregate \$796,875 earned during 2011, \$123,900 represents the grant date value of non-cash stock-based compensation awards, irrespective of the vesting period of those awards. Of the earned remainder, \$511,175, \$61,800 and \$20,000 were paid in cash during 2011, 2012 and 2013 (prior to this annual report being filed), respectively, while \$80,000 remains unpaid. All Other Compensation includes \$53,575 paid to reimburse Mr. Weinreb for tax payments due on his non-cash stock-based compensation, plus automobile and vacation allowances, of which \$20,000 remains unpaid.

(3) Pursuant to Mr. Weinreb’s employment agreement with us, he earns a bonus equal to 50% of his annual salary. See “Employment Agreement” below. Of the 2012 and 2011 earned amounts, \$254,500 (the entire earned amount) and \$60,000 remains unpaid, respectively.

(4) The amounts reported in these columns represent the grant date fair value of the option and stock awards granted during the years ended December 31, 2012 and 2011, calculated in accordance with FASB ASC Topic 718. For a detailed discussion of the assumptions used in estimating fair values, see Note 10 – Stockholders’ Deficiency in the notes that accompany our consolidated financial statements.

(5) Mr. Weinreb’s 2010 compensation included \$404,751 related to a purported grant to Mr. Weinreb of an option for the purchase of 50,000,000 shares of common stock. Such grant was determined to be null and void. As discussed under “Employment Agreement” below, in May 2011, we granted to Mr. Weinreb 35,000,000 shares of common stock. No additional compensation is reflected in 2011 in connection with the 35,000,000 share grant since the grant date fair value of the 50,000,000 share option grant (which was subsequently determined to be null and void) was fully reflected for 2010 and the fair value of the 35,000,000 share grant is less than the amount so reflected for the option grant.

(6) Mr. Silva, our Vice President of Research and Development, served in such capacity from April 2011 to March 2012. In March 2012, he transitioned from such position to Research Scientist. In June 2012, Mr. Silva became our Chief Scientist. In March 2013, he reassumed the position of Vice President of Research and Development.

(7)

Does not include awards deemed not probable to vest as of the date of grant. If all performance conditions are achieved, the aggregate grant date fair value is \$193,050.

Outstanding Equity Awards at Fiscal Year-End

The following table provides information on outstanding equity awards as of December 31, 2012 to the Named Executive Officers:

Name	Option Awards				Stock Awards					
	Number of Securities Underlying Unexercised Options Exercisable	Number of Securities Underlying Unexercised Options	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options	Option Exercise Price	Option Expiration Date	Number of Shares or Units That Have Not Vested	Market Value of Stock That Has Vested	Equity Incentive Plan Awards: Number of Shares, Units or Rights That Have Not Vested	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Rights That Have Not Vested	
Mark Weinreb	4,000,000	-	-	\$ 0.01	12/14/20	-	-	-	-	
Mark Weinreb	16,666,667	33,333,333	(1) -	\$ 0.021	02/09/22	-	-	-	-	
Mark Weinreb	10,000,000	10,000,000	(2) -	\$ 0.03	12/07/22	-	-	-	-	
Francisco Silva	4,000,000	-	-	\$ 0.01	04/04/21	-	-	-	-	
Francisco Silva	150,000	-	-	\$ 0.025	06/23/21	-	-	-	-	
Francisco Silva	1,000,000	-	-	\$ 0.02	11/15/21	-	-	-	-	
Francisco Silva	1,000,000	1,000,000	(3) -	\$ 0.021	02/09/22	-	-	-	-	
Francisco Silva	1,000,000	1,500,000	(4) 5,000,000	(9) \$ 0.028	05/02/22	-	-	-	-	
Francisco Silva	2,000,000	2,000,000	(5) -	\$ 0.03	12/07/22	-	-	-	-	
Mandy Clyde	4,000,000	-	-	\$ 0.01	12/14/20	-	-	-	-	
Mandy Clyde	200,000	100,000	(6) -	\$ 0.02	04/20/21	-	-	-	-	

Explanation of Responses:

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Mandy Clyde	750,000	750,000	(7) -	\$ 0.021	02/09/22	-	-	-	-
Mandy Clyde	1,250,000	1,250,000	(8) -	\$ 0.03	12/07/22	-	-	-	-

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- (1) Option is exercisable to the extent of 16,666,667 shares and 16,666,666 shares effective as of February 10, 2013 and February 10, 2014, respectively.
- (2) Option is exercisable effective as of December 7, 2013.
- (3) Option is exercisable effective as of February 10, 2013.
- (4) Option is exercisable to the extent of 500,000 shares effective as of each May 3, 2013, May 3, 2014 and May 3, 2015.
- (5) Option is exercisable effective as of December 7, 2013.
- (6) Option is exercisable effective as of April 21, 2013.
- (7) Option is exercisable effective as of February 10, 2013.
- (8) Option is exercisable effective as of December 7, 2013.

- (9) Options for the purchase of 2,000,000 shares of common stock are exercisable commencing on the date, if any, on which we, as a direct result of Mr. Silva's efforts, receive a bona fide research grant of at least \$250,000. Options for the purchase of 3,000,000 shares of common stock are exercisable commencing on the date (provided that such date is during Mr. Silva's employment with us), if any, on which either (i) the United States Food and Drug Administration (the "FDA") approves our Biologics License Application with respect to any biologic product or (ii) a 510(k) Premarket Notification submission is made by us to the FDA with respect to a certain device.

Employment Agreements

Effective October 4, 2010, we entered into a three-year employment agreement with Mark Weinreb, our Chief Executive Officer. In February 2012, we and Mr. Weinreb agreed to extend the expiration date of the employment agreement to October 4, 2015. Pursuant to the employment agreement, Mr. Weinreb is entitled to receive a salary of \$360,000 per annum during the initial year, \$480,000 per annum during the second year and \$600,000 per annum during each of the final three years of the term and an annual bonus equal to 50% of his annual salary. In addition, pursuant to the employment agreement, in the event that Mr. Weinreb's employment is terminated by us without cause, or Mr. Weinreb terminates his employment for "good reason" or following a change in control, Mr. Weinreb would be entitled to receive a lump sum payment equal to the greater of (a) his base annual salary and bonus for the remainder of the term or (b) two times his then annual base salary and bonus. Further, pursuant to the employment agreement, as amended, in January 2011 and May 2011, we granted to Mr. Weinreb 15,000,000 and 35,000,000 shares of common

stock, respectively. In connection with the stock grants, we agreed to pay all taxes payable by Mr. Weinreb as a result of the grants as well as all taxes incurred as a result of the tax payments made on his behalf. We and Mr. Weinreb initially agreed that the 35,000,000 share grant would not vest until we received equity and/or debt financing in an aggregate amount equal to three times the tax payable in connection with the grant. On November 4, 2011, we and Mr. Weinreb agreed that the 35,000,000 share grant will not vest until we receive equity and/or debt financing after such date of at least \$2,000,000. In April 2012, the vesting requirement was satisfied.

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Effective April 5, 2011, we entered into an at will employment agreement with Francisco Silva, our Vice President of Research and Development. Pursuant to the employment agreement, as amended, Mr. Silva is currently entitled to receive a salary of \$230,000 per annum. Concurrently with the execution of the employment agreement, he was granted an option for the purchase of 4,000,000 shares of common stock. In addition, pursuant to the employment agreement, Mr. Silva is entitled to receive, under certain circumstances, an aggregate cash bonus of \$55,000 (of which \$30,000 has been paid) and the right to receive options for the purchase of an aggregate of 3,150,000 shares of common stock (of which options for the purchase of 1,150,000 shares of common stock have been granted). Further, pursuant to the employment agreement, in the event that Mr. Silva's employment with us is terminated without cause, Mr. Silva would be entitled to receive a cash severance amount of \$75,000.

Effective December 1, 2010, we entered into an at will employment agreement with Mandy Clyde, our Vice President of Operations. Pursuant to the employment agreement, as amended, Ms. Clyde is currently entitled to receive a salary of \$118,000 per annum. Concurrently with the execution of the employment agreement, she was granted an option for the purchase of 4,000,000 shares of common stock. Further, pursuant to the employment agreement, in the event that Ms. Clyde's employment with us is terminated without cause, Ms. Clyde would be entitled to receive a cash severance amount of \$50,000.

Director Compensation

The following table sets forth certain information concerning the compensation of our non-employee directors for the fiscal year ended December 31, 2012:

Director Compensation							
Name	Fees Earned or Paid in Cash	Stock Awards	Option Awards ⁽¹⁾	Non-Equity Incentive Plan Compensation	Nonqualified Deferred Compensation Earnings	All Other Compensation	Total
A. Jeffrey Radov	\$ 20,000	-	\$ 310,500 (2)	-	-	-	\$330,500
Joel San Antonio	\$ 20,000	-	\$ 310,500 (2)	-	-	-	\$330,500

(1) The amounts reported in this column represent the grant date fair value of the option awards granted during the year ended December 31, 2012, calculated in accordance with FASB ASC Topic 718. For a detailed discussion of the assumptions used in estimating fair values, see Note 10 – Stockholders' Deficiency in the notes that accompany our consolidated financial statements.

(2) As of December 31, 2012, each of Messrs. Radov and San Antonio held options for the purchase of 35,000,000 shares of common stock.

Effective January 1, 2013, each of Messrs. Radov and San Antonio, our non-employee directors, is entitled to receive, as compensation for his services as a director, \$30,000 per annum plus \$10,000 per annum for all committee service, in each case payable quarterly (subject to our cash needs).

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ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.

The following table sets forth certain information regarding the beneficial ownership of our common stock, as of March 27, 2013, known by us, through transfer agent records, to be held by: (i) each person who beneficially owns 5% or more of the shares of common stock then outstanding; (ii) each of our directors; (iii) each of our Named Executive Officers (as defined above); and (iv) all of our directors and executive officers as a group.

The information in this table reflects “beneficial ownership” as defined in Rule 13d-3 of the Exchange Act. To our knowledge, and unless otherwise indicated, each shareholder has sole voting power and investment power over the shares listed as beneficially owned by such shareholder, subject to community property laws where applicable. Percentage ownership is based on 820,641,011 shares of common stock outstanding as of March 27, 2013.

Name and Address of Beneficial Owner	Number of Shares Beneficially Owned	Approximate Percent of Class	
Mark Weinreb 555 Heritage Drive Jupiter, Florida	208,976,325 (1)	24.1	%
Westbury (Bermuda) Ltd. Westbury Trust Victoria Hall 11 Victoria Street Hamilton, HMEX Bermuda	105,750,000 (2)	12.3	%
Robert W. Meyer, Jr. 300 Haynes Street Cadillac, Michigan	54,750,000 (3)	6.5	%
Gloria McConnell 1260 NW 16 th Street Boca Raton, Florida	46,120,382 (4)	5.6	%
A. Jeffrey Radov 8 Walworth Avenue Scarsdale, New York	45,000,000 (5)	5.3	%
Joel San Antonio 2200 Highway 121 Bedford, Texas	45,000,000 (5)	5.3	%
Francisco Silva 555 Heritage Drive Jupiter, Florida	10,650,000 (6)	1.3	%
Mandy Clyde 555 Heritage Drive Jupiter, Florida	7,050,000 (7)	*	
All directors and executive officers as a group (5 persons)	316,676,325 (1)(8)	33.3	%

* Less than 1%.

Explanation of Responses:

Includes (a) 47,333,334 shares of common stock issuable upon the exercise of currently exercisable options, (b) 41,034,483 shares of common stock held of record by Gloria McConnell over which Mr. Weinreb has voting power pursuant to a Shareholder Agreement and Irrevocable Proxy, dated January 20, 2011 (the "McConnell Shareholder Agreement"), as described in footnote (2) below, (c) 5,085,899 shares of common stock held of record by Stem Cell Research Company, LLC ("Stem Cell Research") over which Mr. Weinreb has voting power pursuant (1) to a Shareholder Agreement and Irrevocable Proxy, dated January 21, 2011 (the "Research Shareholder Agreement"), as described in footnote (2) below, (d) 21,522,609 shares of common stock held of record by Richard Proodian over which Mr. Weinreb has voting power pursuant to a Shareholder Agreement and Irrevocable Proxy, dated June 15, 2011, and (e) 9,000,000 shares of common stock held of record by John Krowiak over which Mr. Weinreb has voting power pursuant to two Shareholder Agreement and Irrevocable Proxy documents, dated June 6, 2011 and June 13, 2011.

(2) Based upon Schedule 13G filed with the Securities and Exchange Commission and other information known to us. Includes 40,000,000 shares of common stock issuable upon the exercise of a currently exercisable warrant.

(3) Includes 17,000,000 shares of common stock issuable upon the exercise of a currently exercisable warrant.

(4) Includes 5,085,899 shares of common stock held of record by Stem Cell Research of which, we have been advised, Ms. McConnell is the President and sole member. Pursuant to the McConnell Shareholder Agreement, for a period of three years ending January 20, 2014, Ms. McConnell has agreed to vote her shares of common stock as directed by Mr. Weinreb and has granted to Mr. Weinreb an irrevocable proxy in connection therewith. Pursuant to the Research Shareholder Agreement, for a period of three years ending January 21, 2014, Stem Cell Research has agreed to vote its shares as directed by Mr. Weinreb and has granted to Mr. Weinreb an irrevocable proxy in connection therewith.

(5) Includes 32,500,000 shares of common stock issuable upon the exercise of currently exercisable options.

(6) Represents shares of common stock issuable upon the exercise of options that are exercisable currently or within 60 days.

(7) Represents shares of common stock issuable upon the exercise of options that are exercisable currently or within 60 days.

(8) Includes 130,033,334 shares of common stock issuable upon the exercise of options that are exercisable currently or within 60 days.

Securities Authorized for Issuance Under Equity Compensation Plans

The following table sets forth information as of December 31, 2012 with respect to compensation plans (including individual compensation arrangements) under which our common stock are authorized for issuance, aggregated as follows:

- All compensation plans previously approved by security holders; and
- All compensation plans not previously approved by security holders.

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EQUITY COMPENSATION PLAN INFORMATION

	Number of securities to be issued upon exercise of outstanding options (a)	Weighted-average exercise price of outstanding options (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders	200,900,000	\$ 0.022	54,100,000
Total	200,900,000	\$ 0.022	54,100,000

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.

On December 15, 2010, we entered into a termination agreement with Gloria McConnell, our former President (the “McConnell Termination Agreement”), pursuant to which Ms. McConnell was entitled to receive \$120,000, as severance, payable over a two year period. In addition, pursuant to the McConnell Termination Agreement, we agreed to reissue to Ms. McConnell 12,576,811 shares of our common stock. These shares had previously been contributed to capital by Ms. McConnell in October 2010 in order to enable us to fulfill our obligation to issue shares to third parties. Further, pursuant to the McConnell Termination Agreement, Ms. McConnell has agreed to certain restrictive covenants, including non-competition and non-solicitation restrictions, and limitations on the number of shares that she can sell to 250,000 shares on any particular day and 5,000,000 shares during any three calendar month period. In November 2011, we entered into an agreement with Ms. McConnell pursuant to which we paid her \$22,500 in full settlement of our outstanding \$87,500 obligation to her.

On January 20, 2011, Ms. McConnell and Mr. Weinreb entered into a Shareholder Agreement and Irrevocable Proxy, pursuant to which Ms. McConnell has agreed that, for a period of three years, she would vote her shares of common stock as determined by Mr. Weinreb.

Effective January 29, 2011, we terminated our relationship with Tommy Berger, one of our founders. Pursuant and subject to the terms and conditions of a termination agreement between the parties (the “Berger Termination Agreement”), Mr. Berger waived any rights he may have had pursuant to a certain employment agreement entered into with us in August 2010 (to which Stem Cell Research Company, LLC (“Stem Cell Research”) was also a party) (the “Berger Employment Agreement”) and we agreed to pay to Stem Cell Research \$180,000 over a 12 month period. In addition, pursuant to the Berger Termination Agreement, each of Mr. Berger and Stem Cell Research has agreed to

certain restrictive covenants, including non-competition and non-solicitation restrictions, restrictions on actions that would cause a change of control and limitations on the number of shares that they can sell to 250,000 shares on any particular day and 5,000,000 shares during any three calendar month period. Further, concurrently with the execution of the Berger Termination Agreement, in connection with our agreement to pay to Stem Cell Research the \$180,000 payment discussed above, Stem Cell Research executed a shareholder agreement and irrevocable proxy pursuant to which it has agreed that, for a three year period, it would vote its shares of common stock as directed by Mr. Weinreb. We are aware that, in the Berger Employment Agreement, Stem Cell Research was referred to as Mr. Berger's "company"; however, we have no knowledge as to any control that Mr. Berger may currently exercise with respect to Stem Cell Research and, as previously indicated, we have been advised that Ms. McConnell is the President and sole member of Stem Cell Research. In November 2011, we entered into an agreement with Stem Cell Research and Mr. Berger pursuant to which we paid Stem Cell Research \$50,000 in full settlement of our outstanding \$100,000 obligation to it.

On June 17, 2011, Richard Proodian, our former Chief Financial Officer, executed a termination agreement with us (the "Proodian Termination Agreement") pursuant to which Mr. Proodian was entitled to receive, as severance, \$50,000 (less amounts paid as salary for the period after June 15, 2011), payable over the balance of 2011. In addition, pursuant to the Proodian Termination Agreement, Mr. Proodian has agreed to certain restrictive covenants, including non-competition and non-solicitation restrictions, and limitations on the number of shares that he can sell to 250,000 shares on any particular day and 5,000,000 shares during any three calendar month period. Further, in connection with the execution of the Proodian Termination Agreement, Messrs. Proodian and Weinreb entered into a Shareholder Agreement and Irrevocable Proxy pursuant to which Mr. Proodian has agreed that, for a period of three years, he would vote his shares of common stock as determined by Mr. Weinreb. In January 2012, we entered into an agreement with Mr. Proodian pursuant to which we paid him and his designee an aggregate of approximately \$23,000 in full settlement of our approximately \$46,000 outstanding obligation to him.

On April 2, 2012, Stem Cell Cayman, Ltd. ("Cayman"), one of our wholly-owned subsidiaries, borrowed \$1,500,000 from Westbury (Bermuda) Ltd. ("Westbury"), one of our principal shareholders. The promissory note evidencing the loan provides for interest at the rate of 15% per annum, payable monthly, and the payment of the principal amount one year from the date of issuance (subject to acceleration under certain circumstances). In consideration of the loan, we issued to Westbury a five year warrant for the purchase of 20,000,000 shares of our common stock at an exercise price of \$0.03 per share.

On March 26, 2013, Cayman borrowed an additional \$450,000 from Westbury, which was combined with the already outstanding \$3,550,000 of previous borrowings from Westbury into a new \$4,000,000 zero coupon note which matures on July 31, 2014. In consideration of the additional \$450,000 loan, the settlement of accrued and unpaid interest of \$213,000, and for extending the maturity date of the loan, we issued to Westbury 30,000,000 shares of common stock and a five year warrant to purchase 20,000,000 shares of common stock at an exercise price of \$0.05 per share.

Director Independence

Board of Directors

Our Board of Directors is currently comprised of Mark Weinreb (Chair), A. Jeffrey Radov and Joel San Antonio. Each of Messrs. Radov and San Antonio is currently an “independent director” based on the definition of independence in Listing Rule 5605(a)(2) of the listing standards at The Nasdaq Stock Market.

Audit Committee

The members of our Board’s Audit Committee currently are Messrs. Radov (Chair) and San Antonio, each of whom is an “independent director” based on the definition of independence in Listing Rule 5605(a)(2) of the listing standards of The Nasdaq Stock Market and Rule 10A-3(b)(1) under the Securities Exchange Act of 1934.

Nominating Committee

The members of our Board’s Nominating Committee currently are Messrs. San Antonio (Chair) and Radov, each of whom is an “independent director” based on the definition of independence in Listing Rule 5605(a)(2) of the listing standards of The Nasdaq Stock Market.

Compensation Committee

The members of our Board’s Compensation Committee currently are Messrs. San Antonio (Chair) and Radov, each of whom is an “independent director” based on the definition of independence in Listing Rule 5605(a)(2) of the listing standards of The Nasdaq Stock Market.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

Marcum LLP has served as our independent registered public accountants for the years ended December 31, 2012 and 2011.

The following is a summary of the fees billed or expected to be billed to us by Marcum LLP, our independent registered public accountants, for professional services rendered with respect to the fiscal years ended December 31, 2012 and 2011:

Fee Category	Fiscal 2012 Fees	Fiscal 2011 Fees
Audit Fees(1)	\$93,470	\$90,000
Audit-Related Fees(2)	3,638	-
Tax Fees(3)	23,125	8,500
All Other Fees(4)	-	-
	\$120,233	\$98,500

(1) Audit Fees consist of fees billed for services rendered for the audit of our consolidated financial statements for the fiscal years ended December 31, 2012 and 2011.

(2) Audit-Related Fees consist of fees billed for assurance and related services that are reasonably related to the performance of the audit of our financial statements and are not reported under "Audit Fees."

(3) Tax Fees consist of fees billed for professional services related to preparation of our U.S. federal and state income tax returns and tax advice.

(4) All Other Fees consist of fees billed for products and services provided by our independent registered public accountants, other than those disclosed above.

The Audit Committee is responsible for the appointment, compensation and oversight of the work of the independent registered public accountants, and approves in advance any services to be performed by the independent registered public accountants, whether audit-related or not. The Audit Committee reviews each proposed engagement to determine whether the provision of services is compatible with maintaining the independence of the independent registered public accountants. The fees shown above were pre-approved either by our Board or our Audit Committee (which was established in April 2011).

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

- 2.1 Acquisition and Reorganization Agreement, dated as of April 17, 2009, by and between Traxxec Inc. and Stem Cell Assurance LLC¹
 - 3.1 Certificate of Amendment to Articles of Incorporation filed on February 13, 2012²
 - 3.2 Articles of Incorporation, as amended²
- 3.3 Articles of Merger with respect to merger of Stem Cell Assurance, Inc. and BioRestorative Therapies, Inc.³
 - 3.4 Amended and Restated Corporate By-Laws, effective as of August 15, 2011³
 - 10.1 2010 Equity Participation Plan, as amended¹
- 10.2 Employment Agreement, dated October 4, 2010, between Stem Cell Assurance, Inc. and Mark Weinreb (“Weinreb Employment Agreement”)¹
 - 10.3 Amendment to Weinreb Employment Agreement, dated May 31, 2011¹
 - 10.4 Amendment to Weinreb Employment Agreement, dated February 10, 2012²
- 10.5 Shareholder Agreement and Irrevocable Proxy, dated as of January 20, 2011, between Gloria McConnell and Mark Weinreb¹
- 10.6 Shareholder Agreement and Irrevocable Proxy, dated as of January 21, 2011, between Stem Cell Research Company, LLC and Mark Weinreb¹
- 10.7 Lease Agreement, effective as of February 1, 2011, between Orange Coast, LLC and Stem Cell Assurance, Inc.¹
- 10.8 First Amendment to Lease, dated March 11, 2011, between Orange Coast, LLC and Stem Cell Assurance, Inc.¹
- 10.9 Consulting Agreement, dated as of February 17, 2011, between Stem Cell Assurance, Inc. and TDA Consulting Services, Inc.¹
 - 10.10 Letter agreement, dated April 18, 2012, between the Company and TDA Consulting Services, Inc.
 - 10.11 Letter agreement, dated December 7, 2012 between the Company and TDA Consulting Services, Inc.
- 10.12 Consulting Agreement, dated as of February 17, 2011, between the Company and Vintage Holidays L.L.C.¹
 - 10.13 Letter agreement, dated January 1, 2012, between the Company and Vintage Holidays, L.L.C.²
 - 10.14 Letter agreement, dated April 18, 2012, between the Company and Vintage Holidays, L.L.C.
 - 10.15 Letter agreement, dated December 7, 2012 between the Company and Vintage Holidays, L.L.C.
- 10.16 Employment Agreement, dated as of December 1, 2010, between Stem Cell Assurance, Inc. and Mandy Clark (now known as Mandy Clyde) (“Clyde Employment Agreement”)¹
 - 10.17 Amendment to Clyde Employment Agreement, dated February 10, 2012²
 - 10.18 Amendment to Clyde Employment Agreement, dated December 7, 2012
- 10.19 Form of Promissory Note issued by Stem Cell Assurance, Inc./BioRestorative Therapies, Inc. between November 2010 and December 2011¹
- 10.20 Promissory Note, dated February 1, 2011, issued by Stem Cell Assurance, Inc. in the principal amount of \$266,055.31¹
- 10.21 Promissory Note, dated February 9, 2011, issued by Stem Cell Cayman Ltd. in the principal amount of \$1,050,000¹

- 10.22 Form of Stock Option Agreement, dated December 15, 2010, between Stem Cell Assurance, Inc. and each of Mark Weinreb and Mandy Clyde¹
- 10.23 Form of Stock Option Agreement, dated December 15, 2010, between Stem Cell Assurance, Inc. and each of Kurt Wagner, M.D. and Joseph Ross, M.D. ¹
- 10.24 Consulting Agreement, dated as of April 7, 2011, between Stem Cell Assurance, Inc. and Joseph Ross, M.D. ¹
- 10.25 Letter agreement, dated April 2, 2011, between Stem Cell Assurance, Inc. and Kurt Wagner, M.D. ¹
- 10.26 Letter agreement, dated April 7, 2011, between Stem Cell Assurance, Inc. and Joseph Ross, M.D. ¹
- 10.27 Amended and Restated Executive Employment Agreement, dated May 10, 2011, between Stem Cell Assurance, Inc. and Francisco Silva (“Silva Employment Agreement¹”)
 - 10.28 Amendment to Silva Employment Agreement, dated November 4, 2011²
 - 10.29 Amendment to Silva Employment Agreement, dated May 3, 2012
 - 10.30 Amendment to Silva Employment Agreement, dated December 7, 2012
- 10.31 Stock Option Agreement, dated April 5, 2011, between Stem Cell Assurance, Inc. and Francisco Silva¹
- 10.32 Stock Option Agreement, dated April 21, 2011, between Stem Cell Assurance, Inc. and Mandy Clyde¹
- 10.33 Stock Grant Agreement, dated April 21, 2011, between Stem Cell Assurance, Inc. and Joel San Antonio¹
- 10.34 Stock Grant Agreement, dated April 21, 2011, between Stem Cell Assurance, Inc. and A. Jeffrey Radov¹
- 10.35 Stock Grant Agreement, dated May 31, 2011, between Stem Cell Assurance, Inc. and Mark Weinreb¹
- 10.36 Letter agreement, dated as of November 4, 2011, between BioRestorative Therapies, Inc. and Mark Weinreb¹
- 10.37 Scientific Advisory Board Agreement, dated as of June 10, 2011, between Stem Cell Assurance, Inc. and Naiyer Imam, M. D. ¹
- 10.38 Termination Agreement, dated as of June 15, 2011, between Stem Cell Assurance, Inc. and Richard Proodian¹
- 10.39 Shareholder Agreement and Irrevocable Proxy, dated June 15, 2011, between Richard Proodian and Mark Weinreb¹
- 10.40 Scientific Advisory Board Agreement, dated as of June 24, 2011, between Stem Cell Assurance, Inc. and Amit Patel, M. D. ¹
- 10.41 Tangible Property License Agreement, entered into as of August 22, 2011, by and between the University of Utah Research Foundation, the University of Utah and Stem Cell Assurance, Inc.⁴
- 10.42 Promissory Note, dated November 4, 2011, issued by Stem Cell Cayman Ltd. in the principal amount of \$1,000,000¹
- 10.43 Settlement Agreement, dated as of November 8, 2011, between BioRestorative Therapies, Inc. and Gloria McConnell¹
- 10.44 Settlement Agreement, dated as of November 8, 2011, among BioRestorative Therapies, Inc., Stem Cell Research Company, LLC and Tommy Berger¹
- 10.45 License Agreement, dated as of January 27, 2012, between Regenerative Sciences, LLC and BioRestorative Therapies, Inc. (“License Agreement²”)

	10.46	Amendment to License Agreement, dated March 21, 2012 ²
10.47		Stock Option Agreement, dated as of February 10, 2012, between BioRestorative Therapies, Inc. and Mark Weinreb ²
10.48		Stock Option Agreement, dated as of February 10, 2012, between BioRestorative Therapies, Inc. and A. Jeffrey Radov ²
10.49		Stock Option Agreement, dated as of February 10, 2012, between BioRestorative Therapies, Inc. and Joel San Antonio ²
10.50		Stock Option Agreement, dated as of February 10, 2012, between BioRestorative Therapies, Inc. and Francisco Silva ²
10.51		Stock Option Agreement, dated as of February 10, 2012, between BioRestorative Therapies, Inc. and Mandy Clyde ²
10.52		Promissory Note, dated March 30, 2012, issued by Stem Cell Cayman Ltd. in the principal amount of \$1,500,000 ²
	10.53	Form of Exchange Agreement between BioRestorative Therapies, Inc. and debtholders ²
10.54		Assignment Agreement, dated as of June 15, 2012, between the University of Utah Research Foundation and BioRestorative Therapies, Inc. ⁵
10.55		Research Agreement, dated as of June 15, 2012, between BioRestorative Therapies, Inc. and the University of Utah ⁵
10.56		Consulting Agreement, dated as of August 16, 2012, between Wayne A. Marasco and BioRestorative Therapies, Inc., including exhibits thereto
10.57		Letter agreement, dated December 5, 2012, between Stem Cell Cayman Ltd. and Westbury (Bermuda) Ltd.
10.58		Stock Option Agreement, dated as of December 7, 2012, between BioRestorative Therapies, Inc. and Mark Weinreb
10.59		Stock Option Agreement, dated as of December 7, 2012, between BioRestorative Therapies, Inc. and A. Jeffrey Radov
10.60		Stock Option Agreement, dated as of December 7, 2012, between BioRestorative Therapies, Inc. and Joel San Antonio
10.61		Stock Option Agreement, dated as of December 7, 2012, between BioRestorative Therapies, Inc. and Francisco Silva
10.62		Stock Option Agreement, dated as of December 7, 2012, between BioRestorative Therapies, Inc. and Mandy Clyde
10.63		Promissory Note, dated March 26, 2013, issued by Stem Cell Cayman Ltd. in the principal amount of \$450,000
10.64		Letter agreement, dated March 26, 2013, among Stem Cell Cayman Ltd., BioRestorative Therapies, Inc. and Westbury (Bermuda) Ltd.
	14	Code of Ethics ²
	21	Subsidiaries ¹
	31.1	Principal Executive Officer Certification
	31.2	Principal Financial Officer Certification
	32	Section 1350 Certification
	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

¹Incorporated by reference to the exhibits included with our Registration Statement on Form 10, as amended, filed with the Securities and Exchange Commission.

² Incorporated by reference to the exhibits included with our Annual Report on Form 10-K for the year ended December 31, 2011 filed with the Securities and Exchange Commission.

³ Incorporated by reference to the exhibits included with our Current Report on Form 8-K for an event dated August 15, 2011 filed with the Securities and Exchange Commission.

⁴ Incorporated by reference to the exhibit included with our Current Report on Form 8-K for an event dated August 22, 2011 filed with the Securities and Exchange Commission.

⁵ Incorporated by reference to the exhibits included with our Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2012 filed with the Securities and Exchange Commission.

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.

**BIORESTORATIVE
THERAPIES, INC.**

Dated: April 1, 2013 By /s/ Mark Weinreb
Mark Weinreb
Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Capacity	Date
/s/ Mark Weinreb Mark Weinreb	Chief Executive Officer, President, Chairman of the Board and Director (Principal Executive Officer, Principal Financial Officer and Principal Accounting Officer)	April 1, 2013
/s/ A. Jeffrey Radov A. Jeffrey Radov	Director	April 1, 2013
/s/ Joel San Antonio Joel San Antonio	Director	April 1, 2013

BIORESTORATIVE THERAPIES, INC. & SUBSIDIARIES

(A COMPANY IN THE DEVELOPMENT STAGE)

CONSOLIDATED FINANCIAL STATEMENTS

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Audit Committee of the Board of Directors

and Stockholders of BioRestorative Therapies, Inc.

We have audited the accompanying consolidated balance sheets of BioRestorative Therapies, Inc. and Subsidiaries (a company in the development stage) (the “Company”) as of December 31, 2012 and 2011, and the related consolidated statements of operations, changes in stockholders’ deficiency, and cash flows for the years then ended, and for the period from December 30, 2008 (inception) to December 31, 2012. These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of BioRestorative Therapies, Inc. and Subsidiaries as of December 31, 2012 and 2011, and the consolidated results of their operations and their cash flows for the years then ended, and for the period from December 30, 2008 (inception) to December 31, 2012, in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As more fully discussed in Note 2, the Company is in the development stage, has incurred net losses since inception and needs to raise additional funds to meet its obligations and sustain its operations. These conditions raise substantial doubt about the Company’s ability to continue as a going concern. Management’s plans in regard to these matters are described in Note 2. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ Marcum LLP

Marcum LLP

New York, NY

April 1, 2013

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

	December 31,	
	2012	2011
Assets		
Current Assets:		
Cash	\$363	\$71,508
Inventories	12,484	-
Prepaid expenses and other current assets	18,433	46,915
Total Current Assets	31,280	118,423
Property and equipment, net	59,407	94,827
Intangible assets, net	1,177,357	3,308
Security deposit	-	4,415
Total Assets	\$1,268,044	\$220,973
Liabilities and Stockholders' Deficiency		
Current Liabilities:		
Accounts payable	\$771,429	\$426,184
Accrued expenses and other current liabilities	1,082,842	440,229
Current portion of notes payable, net of debt discount of \$42,000 and \$149,043 at December 31, 2012 and December 31, 2011, respectively	961,685	3,040,957
Total Current Liabilities	2,815,956	3,907,370
Notes payable, non-current portion, net of debt discount of \$34,719 and \$0 at December 31, 2012 and December 31, 2011, respectively	3,593,781	-
Total Liabilities	6,409,737	3,907,370
Commitments and contingencies		
Stockholders' Deficiency:		
Preferred stock, \$0.01 par value; Authorized, 1,000,000 shares; none issued and outstanding at December 31, 2012 and December 31, 2011	-	-

Explanation of Responses:

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Common stock, \$0.001 par value; Authorized, 1,500,000,000 shares; Issued 772,172,945 and 635,614,845 shares at December 31, 2012 and December 31, 2011, respectively; Outstanding 744,241,911 and 607,683,811 shares at December 31, 2012 and December 31, 2011, respectively	772,173	635,615
Additional paid-in capital	8,179,354	3,234,486
Deficit accumulated during development stage	(14,061,220)	(7,524,498)
Treasury stock, at cost, 27,931,034 shares at December 31, 2012 and December 31, 2011	(32,000)	(32,000)
Total Stockholders' Deficiency	(5,141,693)	(3,686,397)
Total Liabilities and Stockholders' Deficiency	\$1,268,044	\$220,973

See Notes to these Consolidated Financial Statements

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

	For The Years Ended December 31,		Period from December 30, 2008 (Inception) to December 31,
	2012	2011	2012
Revenues	\$15,589	\$-	\$ 15,589
Cost of goods sold	1,307	-	1,307
Gross Profit	14,282	-	14,282
Operating Expenses			
Marketing and promotion	131,980	103,696	439,798
Payroll and benefits	1,979,850	1,380,867	4,120,888
Consulting	1,834,003	682,171	4,054,611
General and administrative	1,224,721	1,373,271	3,316,810
Research and development	416,180	12,000	439,800
Total Operating Expenses	5,586,734	3,552,005	12,371,907
Loss From Operations	(5,572,452)	(3,552,005)	(12,357,625)
Other Income (Expense)			
Other income	-	-	11,457
Interest expense	(591,813)	(260,011)	(880,311)
Amortization of debt discount	(329,796)	(345,369)	(885,892)
Loss on extinguishment of notes payable	(69,708)	-	(69,708)
Gain on settlement of note and payables, net	27,047	83,448	110,495
Total Other Expense	(964,270)	(521,932)	(1,713,959)
Net Loss	\$(6,536,722)	\$(4,073,937)	\$(14,071,584)
Net Loss Per Share			
- Basic and Diluted	\$(0.01)	\$(0.01)	

Weighted Average Number of

Explanation of Responses:

Common Shares Outstanding		
- Basic and Diluted	679,622,450	561,287,751

See Notes to these Consolidated Financial Statements

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BIORESTORATIVE THERAPIES, INC. & SUBSIDIARIES**(A COMPANY IN THE DEVELOPMENT STAGE)****Consolidated Statements of Changes in Stockholders' Deficiency****For the period December 30, 2008 (Inception) to December 31, 2012**

	Common Stock		Additional Paid-In Capital	Shares Issuable	Due From Development Stage	Deficit Accumulated During	Treasury Stock		Total
	Shares	Amount					Shares	Amount	
Balance - December 30, 2008 (Inception)	301,999,999	\$ 302,000	\$(302,000)	-	\$ -	\$ -	-	\$ -	\$-
Net loss for the period ended December 31, 2008	-	-	-	-	-	-	-	-	-
Balance - December 31, 2008	301,999,999	\$ 302,000	\$(302,000)	-	\$ -	\$ -	-	\$ -	\$-
Recapitalization of accumulated deficit of Stem Cell Assurance, LLC at time of formation	-	-	(10,364)	-	-	10,364	-	-	-
Shares issued pursuant to reverse recapitalization (at \$0.001)	100,403,621	100,404	(100,404)	-	-	-	-	-	-
Shares issued pursuant to reverse recapitalization and subsequently cancelled - (at \$0.001)	(85,862,068)	(85,862)	85,862	-	-	-	-	-	-
Shares issued for cash - May 1, 2009 (at \$0.035)	360,000	360	12,140	-	-	-	-	-	12,500
Shares issued for cash - May 26, 2009 (at \$0.10)	10,000	10	990	-	-	-	-	-	1,000
Shares issued for cash - June 19, 2009 (at \$0.033)	200,000	200	6,300	-	-	-	-	-	6,500

Explanation of Responses:

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Shares issued for consulting services - (at \$0.035)	4,108,000	4,108	140,083	-	-	-	-	-	144,191
Shares issued as debt discount in connection with notes payable - August 5, 2009 (at \$0.007)	5,000,000	5,000	31,301	-	-	-	-	-	36,301
Shares issued for cash - September 10, 2009 (at \$0.013)	375,000	375	4,625	-	-	-	-	-	5,000
Shares issued as debt discount in connection with notes payable - October 5, 2009 (at \$0.004)	5,000,000	5,000	16,032						21,032
Shares issued as debt discount in connection with notes payable - November 5, 2009 (at \$0.027)	5,000,000	5,000	-	-	-	-	-	-	5,000
Subtotal	336,594,552	\$336,595	\$(115,435)	-	\$ -	\$ 10,364	-	\$ -	\$231,524

See Notes to these Consolidated Financial Statements.

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BIORESTORATIVE THERAPIES, INC. & SUBSIDIARIES**(A COMPANY IN THE DEVELOPMENT STAGE)****Consolidated Statements of Changes in Stockholders' Deficiency****For the period December 30, 2008 (Inception) to December 31, 2012****(continued)**

	Common Stock		Additional	Due	Deficit	Accumulated	Treasury	Total	
	Shares	Amount	Paid-In	Shares	From	During	Stock	Amount	
			Capital	Issuable	Lender	Development	Shares	Amount	
						Stage			
Carried Forward	336,594,552	\$336,595	\$(115,435)	-	\$-	\$10,364	-	\$-	\$231,524
Shares issued as debt discount with connection with notes payable - (at \$0.003)	15,500,000	15,500	36,851	-	-	-	-	-	52,351
Shares issued in connection with debt financings and credit facilitations - December 14, 2009 (at \$0.003)	2,500,000	2,500	6,189	-	-	-	-	-	8,689
Shares issued as debt discount in connection with notes payable - December 15, 2009 (at \$0.003)	8,000,000	8,000	59,949	-	-	-	-	-	67,949
Shares held as collateral in connection with note payable -	20,000,000	20,000	510,000	-	(530,000)	-	-	-	-

Explanation of Responses:

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December 15,
2009 (at \$0.027)

Shares issued for consulting services - (at \$0.027)	27,665,948	27,666	705,482	-	-	-	-	-	733,148
Warrants granted in connection with consulting services - August 6, 2009 (at \$0.01)	-	-	52,379	-	-	-	-	-	52,379
Net loss	-	-	-	-	-	(1,197,126)	-	-	(1,197,126)
Balance as of December 31, 2009	410,260,500	\$410,261	\$1,255,414	-	\$(530,000)	\$(1,186,762)	-	\$-	\$(51,087)
Shares issued for cash - February 16, 2010 (at \$0.004)	26,000,000	26,000	89,700	-	-	-	-	-	115,700
Shares issued for cash - February 16, 2010 (at \$0.003)	12,000,000	12,000	23,600	-	-	-	-	-	35,600
Shares held as collateral returned - February 16, 2010 (at \$0.027)	(20,000,000)	(20,000)	(510,000)	-	530,000	-	-	-	-
Subtotal	428,260,500	\$428,261	\$858,714	-	\$-	\$(1,186,762)	-	\$-	\$100,213

See Notes to these Consolidated Financial Statements.

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BIORESTORATIVE THERAPIES, INC. & SUBSIDIARIES

(A COMPANY IN THE DEVELOPMENT STAGE)

Consolidated Statements of Changes in Stockholders' Deficiency

For the period December 30, 2008 (Inception) to December 31, 2012

(continued)

	Common Stock		Additional	Shares	Due	Deficit	Treasury Stock		Total
	Shares	Amount	Paid-In	Issuable	During	Accumulated	Shares	Amount	
			Capital	From	Development	Stage			
Carried Forward	428,260,500	\$428,261	\$858,714	-	\$-	\$(1,186,762)	-	\$-	\$100,213
Shares issued for cash - June 1, 2010 (at \$0.025)	500,000	500	12,000	-	-	-	-	-	12,500
Shares issued for cash - (at \$0.01)	37,750,000	37,750	339,750	-	-	-	-	-	377,500
Shares issued for consulting services - (at \$0.007)	42,937,500	42,938	261,156	-	-	-	-	-	304,094
Purchase of treasury shares - August 25, 2010 (at \$0.002)	-	-	-	-	-	-	(12,413,793)	(22,000)	(22,000)
Purchase of treasury shares - October 11, 2010 (at	-	-	-	-	-	-	(15,517,241)	(10,000)	(10,000)

Explanation of Responses:

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\$0.001)

Shares issued
for cash -

October 12, 2010 (at \$0.02)	6,250,000	6,250	118,750	-	-	-	-	-	125,000
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Shares issued
pursuant to
reverse
recapitalization
and retired -
October 13,
2010 (at
\$0.001)

(60,332,799)	(60,333)	60,333	-	-	-	-	-	-	-
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Shares issued
for consulting
services -
November 3,
2010 (at
\$0.008)

958,333	958	6,871	-	-	-	-	-	-	7,829
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Shares issued
in connection
with
the exercise of
warrants -
December 3,
2010 (at
\$0.015)

125,000	125	1,750	-	-	-	-	-	-	1,875
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Shares
issued/issuable
as debt
discount
in connection
with notes
payable -
(at \$0.007)

4,700,000	4,700	27,210	6,971	-	-	-	-	-	38,881
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Subtotal	461,148,534	\$461,149	\$1,686,534	6,971	\$-	\$(1,186,762)	(27,931,034)	\$(32,000)	\$935,892
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See Notes to these Consolidated Financial Statements.

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Explanation of Responses:

BIORESTORATIVE THERAPIES, INC. & SUBSIDIARIES**(A COMPANY IN THE DEVELOPMENT STAGE)****Consolidated Statements of Changes in Stockholders' Deficiency****For the period December 30, 2008 (Inception) to December 31, 2012****(continued)**

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Shares Issuable	Due From Development Stage	Deficit Accumulated During Development Stage	Treasury Stock Shares	Treasury Stock Amount	Total
Carried Forward	461,148,534	\$461,149	\$1,686,534	6,971	\$-	\$(1,186,762)	(27,931,034)	\$(32,000)	\$935,892
Stock-based compensation expense	-	-	583,685	-	-	-	-	-	583,685
Net loss	-	-	-	-	-	(2,263,799)	-	-	(2,263,799)
Balance - December 31, 2010	461,148,534	\$461,149	\$2,270,219	6,971	\$-	\$(3,450,561)	(27,931,034)	\$(32,000)	\$(744,222)
Shares issued for consulting services - (at \$0.008)	17,077,000	17,077	123,980	-	-	-	-	-	141,057
Shares issued to board of directors - April 21, 2011 (at \$0.008)	10,000,000	10,000	62,275	-	-	-	-	-	72,275
Shares reissued to former President - January 12,	12,576,811	12,577	(12,577)	-	-	-	-	-	-

Explanation of Responses:

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2011 (at par value)

Shares issued pursuant to settlement agreement - February 23, 2011 (at \$0.008)	8,312,500	8,312	60,350	-	-	-	-	-	68,662
Shares issued as debt discount in connection with notes payable - (at \$0.007)	68,500,000	68,500	413,407	(6,971)	-	-	-	-	474,936
Shares issued to CEO pursuant to employment agreement - (at \$0.008)	50,000,000	50,000	73,900	-	-	-	-	-	123,900
Shares and warrants issued for cash - (at \$0.025)	8,000,000	8,000	192,000	-	-	-	-	-	200,000
Stock-based compensation			50,932	-	-	-	-	-	50,932
Net loss	-	-	-	-	-	(4,073,937)	-	-	(4,073,937)
Balance - December 31, 2011	635,614,845	\$635,615	\$3,234,486	-	\$-	\$(7,524,498)	(27,931,034)	\$(32,000)	\$(3,686,397)

See Notes to these Consolidated Financial Statements.

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BIORESTORATIVE THERAPIES, INC. & SUBSIDIARIES

(A COMPANY IN THE DEVELOPMENT STAGE)

Consolidated Statements of Changes in Stockholders' Deficiency

For the period December 30, 2008 (Inception) to December 31, 2012

(continued)

	Common Stock		Additional	Due During			Treasury Stock		Total
	Shares	Amount	Paid-In Capital	Shares Issued	Development Stage	Accumulated Deficit	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	17,593	-	-	-	-	-	20,016
Shares issued as debt discount in connection with notes payable - (at \$0.007)	2,010,000	2,010	12,239	-	-	-	-	-	14,249
Shares issued as debt discount in connection with notes payable - (at \$0.008)	1,125,000	1,125	7,799	-	-	-	-	-	8,924

Explanation of Responses:

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Warrants issued as debt discount in connection with notes payable - (at \$0.007)	-	-	140,441	-	-	-	-	-	140,441
Warrant issued in partial exchange for intangible asset - (at \$0.015)	-	-	226,500	-	-	-	-	-	226,500
Shares and warrants issued in exchange for notes payable - (at \$0.020)	37,725,000	37,725	786,483	-	-	-	-	-	824,208
Warrants issued as debt discount in connection with notes payable - (at \$0.014)	-	-	27,409	-	-	-	-	-	27,409
Shares issued as debt discount in connection with notes payable - (at \$0.014)	250,000	250	3,198	-	-	-	-	-	3,448
Shares and warrants issued for cash - (at \$0.025)	65,000,000	65,000	1,560,000	-	-	-	-	-	1,625,000
Subtotal	744,147,945	\$744,148	\$6,016,148	-	\$ -	\$(7,524,498)	(27,931,034)	\$(32,000)	\$(796,202)

Explanation of Responses:

See Notes to these Consolidated Financial Statements.

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BIORESTORATIVE THERAPIES, INC. & SUBSIDIARIES**(A COMPANY IN THE DEVELOPMENT STAGE)****Consolidated Statements of Changes in Stockholders' Deficiency****For the period December 30, 2008 (Inception) to December 31, 2012****(continued)**

	Common Stock		Additional	Shares	Issued	During	Treasury Stock	Total	
	Shares	Amount	Paid-In	Issued	Development	Stage	Shares	Amount	
			Capital	During	Stage	Deficit			
				Development	Stage	Accumulated			
				Stage	Stage	Deficit			
Carried Forward	744,147,945	\$744,148	\$6,016,148	-	\$-	\$(7,524,498)	(27,931,034)	\$(32,000)	\$(796,202)
Shares issued for consulting services - (at \$0.016)	11,675,000	11,675	175,125	-	-	-	-	-	186,800
Warrants issued as debt discount in connection with notes payable - (at \$0.013)	-	-	41,131	-	-	-	-	-	41,131
Warrants issued as debt discount in connection with notes payable - (at \$0.011)	-	-	5,710	-	-	-	-	-	5,710
Shares issued as debt discount in connection with notes	1,350,000	1,350	14,810	-	-	-	-	-	16,160

Explanation of Responses:

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payable - (at
\$0.012)

Shares and
warrants
issued for
cash - (at
\$0.020)

Stock-based
compensation

Net loss

Balance -

December 31, 2012	772,172,945	\$772,173	\$8,179,354	\$-	\$-	\$(14,061,220)	(27,931,034)	\$(32,000)	\$(5,141,693)
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15,000,000	15,000	285,000	-	-	-	-	-	-	300,000
-	-	1,641,430	-	-	-	-	-	-	1,641,430
-	-	-	-	-	(6,536,722)	-	-	-	(6,536,722)

See Notes to these Consolidated Financial Statements

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BIORESTORATIVE THERAPIES, INC. & SUBSIDIARIES**(A COMPANY IN THE DEVELOPMENT STAGE)****Consolidated Statements of Cash Flows**

	For The Years Ended		Period from
	December 31,		December 30,
	2012	2011	2008 (Inception)
			to December 31,
			2012
Cash Flows From Operating Activities			
Net loss	\$(6,536,722)	\$(4,073,937)	\$(14,071,584)
Adjustments to reconcile net loss to net cash used in operating activities:			
Amortization of debt discount	329,796	345,369	885,892
Depreciation and amortization	90,404	90,412	235,586
Loss on sale of property and equipment	-	21,614	21,614
Stock-based compensation	1,848,246	456,826	4,130,397
Loss on extinguishment of notes payable	69,708	-	69,708
Gain on settlement of note and payables, net	(27,047)	(83,448)	(110,495)
Changes in operating assets and liabilities:			
Inventories	(12,484)	-	(12,484)
Prepaid expenses and other current assets	28,482	(46,915)	(18,433)
Security deposit	4,415	(4,415)	-
Accounts payable	349,215	268,516	717,918
Accrued expenses and other current liabilities	671,875	215,111	1,224,604
Total Adjustments	3,352,610	1,263,070	7,144,307
Net Cash Used in Operating Activities	(3,184,112)	(2,810,867)	(6,927,277)
Cash Flows From Investing Activities			
Purchases of property and equipment	(2,533)	(17,772)	(165,776)
Proceeds from sale of property and equipment	-	32,000	32,000
Acquisition of intangible assets	(1,000,000)	-	(1,003,676)
Net Cash (Used in) Provided by Investing Activities	(1,002,533)	14,228	(1,137,452)
Cash Flows From Financing Activities			
Proceeds from notes payable	2,265,500	2,962,500	5,839,139
Repayments of notes payable	(75,000)	(308,427)	(560,222)
Advances from director and officer	123,058	26,000	149,058
Repayment of advances from director and officer	(123,058)	(26,000)	(149,058)

Explanation of Responses:

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Proceeds from exercise of warrants	-	-	1,875
Repurchase of common stock	-	(4,000)	(32,000)
Sales of common stock and warrants for cash	1,925,000	200,000	2,816,300
Net Cash Provided by Financing Activities	4,115,500	2,850,073	8,065,092
Net (Decrease) Increase In Cash	(71,145)	53,434	363
Cash - Beginning	71,508	18,074	-
Cash - Ending	\$363	\$71,508	\$ 363

See Notes to these Consolidated Financial Statements

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BIORESTORATIVE THERAPIES, INC. & SUBSIDIARIES**(A COMPANY IN THE DEVELOPMENT STAGE)****Consolidated Statements of Cash Flows — Continued**

	For The Years Ended		Period from
	December 31,		December 30,
	2012	2011	2008 (Inception)
			to December 31,
			2012
Supplemental Disclosures of Cash Flow Information:			
Cash paid during the period for:			
Interest	\$ 398,820	\$ 186,150	\$ 601,817
Non-cash investing and financing activities:			
Shares issued as debt discount in connection with notes payable	\$ 42,781	\$ 474,936	\$ 740,949
Warrants issued as debt discount in connection with notes payable	\$ 214,691	\$ -	\$ 214,691
Shares issued in connection with reverse recapitalization	\$ -	\$ -	\$ 362,000
Shares issued pursuant to reverse recapitalization and subsequently cancelled	\$ -	\$ -	\$ 146,195
Purchase of property and equipment for note payable	\$ -	\$ -	\$ 291,055
Purchase of property and equipment for account payable	\$ -	\$ -	\$ 60,000
Accrued payable for treasury shares repurchased	\$ -	\$ -	\$ 7,000
Shares reissued to former President	\$ -	\$ 12,577	\$ 12,577
Property and equipment returned in connection with settlement of note payable, net	\$ -	\$ 226,043	\$ 226,043
Shares and warrants issued in exchange of notes payable	\$ 824,208	\$ -	\$ 824,208
Warrant issued as partial consideration for intangible asset	\$ 226,500	\$ -	\$ 226,500
Reclassification of accrued interest in connection with note payable issuance	\$ 6,185	\$ -	\$ 6,185

See Notes to these Consolidated Financial Statements

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BIORESTORATIVE THERAPIES, INC. & SUBSIDIARIES

(A COMPANY IN THE DEVELOPMENT STAGE)

Notes to Consolidated Financial Statements

Note 1 – Business Organization and Nature of Operations

On April 17, 2009, Stem Cell Assurance, LLC (“SCA, LLC”) completed a transaction with Traxxec, Inc. (“Traxxec”), a company incorporated on June 13, 1997 under the laws of the state of Nevada under the name “Columbia River Resources Inc.” Pursuant to the agreement, SCA, LLC was converted into Traxxec, Inc. and the former members of SCA, LLC were issued approximately 302,000,000 shares, or approximately 75% of the outstanding shares of common stock of Traxxec, Inc. In addition, on April 17, 2009, pursuant to the agreement, an additional 60,000,000 shares were issued to a shareholder of Traxxec. Traxxec was a non-operating shell company and was authorized to issue 1,000,000 shares of preferred stock and 500,000,000 shares of common stock. On the date of the transaction, Traxxec had 0 shares of preferred stock and 40,403,621 shares of common stock issued and outstanding. The transaction was accounted for as a reverse recapitalization, whereby SCA, LLC was deemed to be the acquirer for accounting purposes. The net assets received in the transaction were recorded at historical costs. On August 17, 2009, Traxxec, Inc. changed its name to Stem Cell Assurance, Inc. (“SCA, Inc.”). Effective August 15, 2011, SCA, Inc. changed its name to BioRestorative Therapies, Inc. BioRestorative Therapies, Inc. has wholly-owned subsidiaries including Stem Pearls, LLC (“Stem Pearls”), formerly Stem Cellutrition, LLC, and Stem Cell Cayman Ltd. (“Cayman”), which the Company formed as a wholly-owned subsidiary in the Cayman Islands (collectively, “BRT” or the “Company”).

The consolidated financial statements set forth in this report for all periods prior to the reverse recapitalization are the historical financial statements of SCA, LLC and have been retroactively restated to give effect to the transaction. The operations of SCA, LLC from December 30, 2008 (inception) to the date of the transaction have been included in operations.

The Company has been presented as a "development stage enterprise". The Company's primary activities since inception have been the development of its business plan, negotiating strategic alliances and other agreements, raising capital and the sponsorship of research and development activities. To date, the Company has not generated significant revenues from its operations.

BRT develops medical procedures using cell and tissue protocols, primarily involving adult stem cells (non-embryonic) designed for patients to undergo minimally invasive cellular-based treatments. BRT's “brtxDISC™ Program” (Disc Implanted Stem Cells) is designed to offer a non-surgical cellular therapy for the treatment

and relief of bulging and herniated discs. BRT's "ThermoStem™ Program" (Brown Fat Stem Cells) focuses on treatments for metabolic disorders, specifically targeting Type 2 Diabetes and obesity by using brown fat stem cells. BRT's Stem Pearls brand offers plant stem cell-based cosmetic skincare products that are available for purchase online at www.stempearls.com. Pursuant to BRT's brtx-C Cosmetic Program, BRT has developed an ingredient derived from human adult stem cells which can be used by third party companies in the development of their own skin care products.

Note 2 – Going Concern and Management Plans

As of December 31, 2012, the Company had a working capital deficiency and a stockholders' deficiency of \$2,784,676 and \$5,141,693, respectively. The Company has not generated significant revenues since inception and incurred net losses of \$14,071,584 during the period from December 30, 2008 (inception) through December 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 equity and debt financings. The Company intends to continue to raise additional capital through debt and equity financings. The Company is currently a development stage company and there is no assurance that these funds will be sufficient to enable the Company to fully complete its development activities or attain profitable operations.

The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("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 consolidated financial statements do not include any adjustment that might result from the outcome of this uncertainty.

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BIORESTORATIVE THERAPIES, INC. & SUBSIDIARIES

(A COMPANY IN THE DEVELOPMENT STAGE)

Notes to Consolidated Financial Statements

Note 2 – Going Concern and Management Plans – Continued

Subsequent to December 31, 2012, the Company raised \$820,000 and \$450,000 through equity and debt financing, respectively, has extended the due date for the repayment of \$3,653,500 of debt (of which, \$3,550,000 has been extended until July 2014) and has converted certain notes payable with an aggregate principal balance of \$112,500 into common stock. As a result, the Company expects that the cash it has available will fund its operations only until May 2013. The Company currently has notes payable aggregating \$50,000 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. However, there can be no assurance that the Company will be successful in extending or converting these notes. See Note 11 – Subsequent Events for additional details.

Note 3 – Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements of the Company include the accounts of Cayman, Stem Pearls and Lipo Rejuvenation Centers, Inc. All significant intercompany transactions have been eliminated in the consolidation. On April 16, 2012, Lipo Rejuvenation Centers, Inc., an inactive entity, was dissolved.

Use of Estimates

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

deferred tax assets. Certain of the Company's estimates, including the carrying amount of the intangible assets, could be affected by external conditions, including those unique to the Company and general economic conditions. It is reasonably possible that these external factors could have an effect on the Company's estimates and could cause actual results to differ from those estimates.

Concentrations and Credit Risk

As of December 31, 2012, 77% of the face value of the Company's outstanding notes payable were sourced from a single entity (the "Bermuda Lender"). See Note 7 – Notes Payable for additional discussion of the Bermuda Lender. See Note 11 – Subsequent Events – Notes Payable for additional discussion of the Bermuda Lender and concentrations of outstanding notes payable.

Cash

The Company maintains cash in bank accounts, which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts and periodically evaluates the credit worthiness of the financial institutions and has determined the credit exposure to be negligible. As of December 31, 2012, the Company had \$248 deposited with an offshore financial institution which is not insured by the Federal Deposit Insurance Corporation.

Property and Equipment

Property and equipment are stated at cost, net of accumulated depreciation which is recorded using the straight line method at rates sufficient to charge the cost of depreciable assets to operations over their estimated useful lives, which range from 3 to 5 years. Maintenance and repairs are charged to operations as incurred.

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BIORESTORATIVE THERAPIES, INC. & SUBSIDIARIES

(A COMPANY IN THE DEVELOPMENT STAGE)

Notes to Consolidated Financial Statements

Note 3 – Summary of Significant Accounting Policies – Continued

Inventories

The Company maintains finished goods inventories, consisting of Stem Pearls skincare products, which are available for sale. Inventories are stated at the lower of cost or market. Cost is determined by the first-in, first-out method.

The Company periodically reviews for slow-moving, excess or obsolete inventories. Products that are determined to be obsolete, if any, are written down to net realizable value.

Intangible Assets

Intangible assets are comprised of trademarks and licenses with original estimated useful lives of 10 and 17.7 years (20 year life of underlying patent, less 2.3 years elapsed since patent application), respectively. Once placed into service, the Company amortizes the cost of the intangible assets over their estimated useful lives on a straight line basis.

Impairment of Long-lived Assets

The Company reviews for the impairment of long-lived assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss would be recognized when estimated future cash flows expected to result from the use of the asset and its eventual disposition are less than its carrying amount. The Company has not identified any such impairment losses.

Revenue Recognition

For the year ended December 31, 2012, the Company's revenue consisted of \$10,000 of sublicense fees and \$5,589 attributable to sales of Stem Pearls® skincare products. The Company's policy is to recognize product sales when the risk of loss and title to the product transfers to the customer, after taking into account potential returns. The Company recognizes sublicensing and royalty revenue when all of the following have occurred: (i) persuasive evidence of an arrangement exists, (ii) the service is completed without further obligation, (iii) the sales price to the customer is fixed or determinable, and (iv) collectability is reasonably assured. See Note 5 – Intangible Assets for additional details.

Income Taxes

The Company recognizes deferred tax assets and liabilities for the expected future tax consequences of items that have been included or excluded in the financial statements or tax returns. Deferred tax assets and liabilities are determined on the basis of the difference between the tax basis of assets and liabilities and their respective financial reporting amounts ("temporary differences") at enacted tax rates in effect for the years in which the temporary differences are expected to reverse.

The Company adopted the provisions of Accounting Standards Codification ("ASC") Topic 740-10, which prescribes a recognition threshold and measurement process for financial statements recognition and measurement of a tax position taken or expected to be taken in a tax return.

Management has evaluated and concluded that there were no material uncertain tax positions requiring recognition in the Company's consolidated financial statements as of December 31, 2012 and 2011. The Company does not expect any significant changes in its unrecognized tax benefits within twelve months of the reporting date.

The Company's policy is to classify assessments, if any, for tax related interest as interest expense and penalties as general and administrative expenses in the consolidated statements of operations.

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BIORESTORATIVE THERAPIES, INC. & SUBSIDIARIES

(A COMPANY IN THE DEVELOPMENT STAGE)

Notes to Consolidated Financial Statements

Note 3 – Summary of Significant Accounting Policies – Continued

Net Loss Per Common Share

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

The Company's weighted average number of common shares as of December 31, 2012 included issued and outstanding common shares and the underlying shares issuable upon the exercise of the 22,000,000 and 2,000,000 exercisable options and warrants, respectively, with an exercise price of \$0.01 per share or less during the period of time that the restricted stock value exceeded \$0.01 per share. The Company's weighted average number of common shares as of December 31, 2011 included 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. See Note 10, Stockholders' Deficiency. In accordance with ASC 260 – Earnings Per Share, the Company has given effect to the issuance of these options and warrants in computing basic and diluted net loss per share.

Potentially dilutive securities realizable from the exercise of options and warrants for the purchase of 178,900,000 and 164,740,000 shares, respectively, as of December 31, 2012, were excluded from the computation of diluted net loss per share because the effect of their inclusion would have been anti-dilutive. As of December 31, 2011, 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 6,150,000 and 2,000,000 shares, respectively, are excluded from the computation of diluted net loss per share because the effect of their inclusion would have been anti-dilutive.

Stock-Based Compensation

Explanation of Responses:

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

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

Advertising

Advertising costs are charged to operations as incurred. For the years ended December 31, 2012 and December 31, 2011, the Company incurred advertising costs of \$6,294 and \$101,982, respectively. For the period from December 30, 2008 (Inception) to December 31, 2012, the Company's total advertising expense amounted to \$314,112.

Research and Development

Research and development expenses are charged to operations as incurred. For the years ended December 31, 2012 and December 31, 2011, the Company incurred research and development expenses of \$416,180 and \$12,000, respectively. For the period from December 30, 2008 (inception) to December 31, 2012, the Company's total research and development expenses amounted to \$439,800.

Reclassifications

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

BIORESTORATIVE THERAPIES, INC. & SUBSIDIARIES

(A COMPANY IN THE DEVELOPMENT STAGE)

Notes to Consolidated Financial Statements

Note 3 – Summary of Significant Accounting Policies – Continued

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” which defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements.

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:

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 cash, accounts payable, and 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.

Explanation of Responses:

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 consolidated financial statements, except as disclosed in Note 11.

Note 4 – Property and Equipment

Property and equipment include the following:

	December 31,	
	2012	2011
Office equipment	\$7,670	\$7,670
Medical equipment	118,301	118,301
Furniture and fixtures	19,322	19,322
Computer software and equipment	20,169	17,636
	165,462	162,929
Less: accumulated depreciation	(106,055)	(68,102)
Property and equipment, net	\$59,407	\$94,827

Depreciation expense amounted to \$37,953 and \$90,044 for the years ended December 31, 2012 and 2011, respectively. Depreciation expense for the period from December 30, 2008 (inception) to December 31, 2012 was \$182,767. See Note 7, Notes Payable, for details regarding the 2011 return of medical equipment.

BIORESTORATIVE THERAPIES, INC. & SUBSIDIARIES**(A COMPANY IN THE DEVELOPMENT STAGE)****Notes to Consolidated Financial Statements****Note 5 – Intangible Assets**

Intangible assets consist of the following:

	Patents and Trademarks	Licenses	Accumulated Amortization	Total
Balance as of January 1, 2012	\$ 3,676	\$-	\$ (368)	\$3,308
Purchase of licenses	-	1,226,500	-	1,226,500
Amortization expense	-	-	(52,451)	(52,451)
Balance as of December 31, 2012	\$ 3,676	\$1,226,500	\$ (52,819)	\$1,177,357
Weighted average amortization period at December 31, 2012 in years	8.0	16.9		

Amortization of intangible assets consists of the following:

	Patents and Trademarks	Licenses	Accumulated Amortization
Balance as of January 1, 2012	\$ 368	\$-	\$ 368
Amortization expense	368	52,083	52,451
Balance as of December 31, 2012	\$ 736	\$52,083	\$ 52,819

On January 27, 2012, the Company entered into a license agreement with a stem cell treatment company (“SCTC”) (as amended on March 21, 2012, the “SCTC Agreement”). On April 6, 2012, the Company and SCTC closed on the SCTC Agreement. Pursuant to the SCTC Agreement, the Company obtained, among other things, a worldwide, exclusive, royalty-bearing license from SCTC to utilize or sublicense a certain medical device for the administration of specific cells and/or cell products to the disc and/or spine (and other parts of the body) and a worldwide (excluding Asia and Argentina), exclusive, royalty-bearing license to utilize or sublicense a certain method for culturing cells. The SCTC Agreement provides that the Company must achieve certain milestones, the first of which must be achieved by April 6, 2014, or pay certain minimum amounts in order to maintain the exclusive nature of the licenses. The SCTC Agreement also provides for an exclusive, royalty-bearing sublicense of certain of the licensed technology to SCTC

for use for orthopedic purposes and a non-exclusive, royalty-bearing sublicense of certain of the licensed technology to SCTC for use (1) at a single facility in the Cayman Islands (or, under certain circumstances, at a different non-U.S. facility), and (2) at U.S. facilities (in accordance with protocols established by the Company), if and only if, upon resolution of a Food and Drug Administration (“FDA”) action, SCTC has the legal right to exploit the technology in the U.S. and the Company does not yet have such legal right. Further, the SCTC Agreement provides that SCTC will furnish certain training, assistance and consultation services with regard to the licensed technology. In addition, the Company has agreed to reimburse SCTC for 25% of its legal fees associated with its pending court action with the FDA, subject to a maximum of \$4,500 per month and \$100,000 in the aggregate.

Pursuant to the SCTC Agreement, on the closing date, the Company made a payment to SCTC consisting of a license fee of \$1,000,000, net of a sublicensing fee of \$10,000, which SCTC owed to the Company (which was recorded as revenue in the consolidated statements of operations), and issued to SCTC a warrant for the purchase of 50,000,000 shares of common stock of the Company (the “SCTC Warrant”). The vesting of the SCTC Warrant was divided into three tranches. The first tranche to purchase 15,000,000 shares of common stock was immediately exercisable. The exercise of the second and third tranches to purchase 17,500,000 shares of common stock each is subject to specified performance criteria. The exercise price for the initial tranche is \$0.03 per share and the exercise price for the second and third tranches is the greater of \$0.03 per share or the then fair market value of the common stock, as defined in the SCTC Agreement. The initial tranche had a grant date value of \$226,500 using the Black-Scholes model, which was recognized immediately. The Company recorded the \$1,000,000 cash payment and the \$226,500 value of the first tranche of the warrant as an intangible asset with an original estimated useful life of 17.7 years (20 year life of the underlying pending patent less 2.3 years since patent application).

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BIORESTORATIVE THERAPIES, INC. & SUBSIDIARIES**(A COMPANY IN THE DEVELOPMENT STAGE)****Notes to Consolidated Financial Statements****Note 5 – Intangible Assets – Continued**

The Company has not made an accounting entry related to the second and third tranches as it is not currently estimable when the specified performance criteria will be met. When, and if, the second and third tranches of the SCTC Warrant vest (or when the timing of vesting becomes estimable), the grant date value of these tranches will be added to the value of the intangible asset after calculating the grant date values using the Black-Scholes option pricing model using the final exercise prices as inputs to the model.

Amortization expense of intangible assets for the years ended December 31, 2012 and 2011 was \$52,451 and \$368, respectively. Aggregate amortization expense from December 30, 2008 (inception) to December 31, 2012 was \$52,819. Based upon the current intangible assets as of December 31, 2012, amortization expense is projected to be approximately \$70,000 per annum for each of the next five years and beyond.

Note 6 – Accrued Expenses and Other Current Liabilities

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

	December 31,	
	2012	2011
Accrued loan interest	\$94,650	\$39,283
Credit card payable	7,662	17,026
Accrued payroll and payroll taxes	770,154	204,417
Accrued severance	-	46,154

Explanation of Responses:

Other accrued expenses	180,531	89,200
Deferred rent	29,845	44,149
Total	\$ 1,082,842	\$ 440,229

During the year ended December 31, 2012, the Company received an aggregate of \$123,058 in non-interest bearing advances from a director and an officer of the Company and made aggregate repayments of \$123,058, such that the Company had no liability at December 31, 2012.

Note 7 – Notes Payable

During 2010, the Company purchased certain property and equipment with a value of \$304,055 (the “Equipment Note”). In February 2011, the Company renegotiated the terms of the then \$291,055 payable with the vendor and entered into a promissory note. The agreement provided for an immediate principal payment of \$25,000, plus monthly installments of \$8,094, including an effective interest rate of 6% per annum. The Company made \$48,019 of principal payments during the year ended December 31, 2011. The scheduled maturity of the note was February 1, 2014 and was collateralized by the equipment purchased. On November 10, 2011, the Company and the equipment vendor agreed to settle the remaining \$243,036 due pursuant to the note for \$48,564 and the return to the vendor of the equipment that had been purchased, which resulted in a \$31,571 loss on the restructuring of the note. The outstanding balance of this note as of December 31, 2012 and 2011 was \$0.

In January 2011, the Company issued 1,000,000 shares of common stock with a relative fair value of \$6,971 to a private lender in connection with a 2010 note payable agreement.

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BIORESTORATIVE THERAPIES, INC. & SUBSIDIARIES

(A COMPANY IN THE DEVELOPMENT STAGE)

Notes to Consolidated Financial Statements

Note 7 – Notes Payable – Continued

During the year ended December 31, 2011, the Company and its wholly-owned subsidiary, Cayman, obtained new debt financing in the aggregate amount of \$2,962,500 (\$2,050,000 obtained by Cayman from the Bermuda Lender). Of the total debt issued in 2011, \$1,962,500 was repayable three months from the date of issuance of the respective notes; however, the Company and Cayman had the right to extend the maturity date for an additional three months. During the initial three month period of the notes, the rate of interest was 10% per annum; during any extension period, the interest rate increased to 15% per annum. The Company is using the effective interest rate method of recording interest expense, which reflects the weighted average interest on a ratable basis over the expected term of the debt. Of the remaining total debt issued in 2011, \$1,000,000 was repayable one year from the date of issuance of the respective notes and the rate of interest was 15% per annum. In connection with the 2011 debt financings, an aggregate of 59,250,000 shares of common stock of the Company were issued to the lenders, with a relative fair value of \$417,875. These shares were accounted for as a debt discount and amortized over the estimated life of the related debt. In connection with extensions of notes payable during the year ended December 31, 2011, an aggregate of 8,250,000 shares of common stock, with a relative fair value of \$57,061, were issued as compensation to the lenders and were recorded as a debt discount. During the year ended December 31, 2011, the Company repaid notes payable with an aggregate principal balance of \$308,427, of which \$96,583 related to the Equipment Note.

During the year ended December 31, 2012, the Company and Cayman issued an additional \$2,265,500 of notes payable (\$1,500,000 for Cayman from the Bermuda Lender and \$30,000 to a member of the Chief Executive Officer's immediate family). In connection with the financings, 3,360,000 shares of common stock, with a relative fair value of \$30,409 (600,000 shares of common stock with a relative fair value of \$7,200 were issued to the member of the Chief Executive Officer's immediate family), and five-year warrants to purchase 26,000,000 shares of common stock at exercise prices ranging from \$0.03 to \$0.05 per share, with a relative fair value of \$214,691 using the Black-Scholes model, were issued to the lenders and were recorded as a debt discount. These notes were initially payable 3-12 months from the date of issuance and have a weighted average interest rate of 14% per annum payable monthly (except as discussed below).

Included as part of the \$2,265,500 of notes payable are two one-year notes with an aggregate principal amount of \$600,000. The holders of these note are entitled to, in addition to a warrant, (a) mandatory prepayment of the notes at the rate of 5% to 10.5% of Cosmetic Revenues (as defined in the note; excludes revenues associated with Stem Pearls® products); and (b) five years of royalty payments associated with Cosmetic Revenues, ranging from 0.5% to

2.8% of Cosmetic Revenues, depending on the holder, the year the Cosmetic Revenues are earned and the status of the principal repayments. The final three years of royalty payments could be subject to annual dollar maximums ranging up to \$175,000 per holder, based on criteria specified in the note terms, but not in the event of default for one of the notes. Given that the Company has not yet generated any Cosmetic Revenues, no royalty payments have been earned.

During the year ended December 31, 2012, the maturity dates of certain notes payable with an aggregate principal balance of \$2,772,500, that were near or at maturity, were extended to various dates through August 2013. In connection with the extensions, an aggregate of 1,375,000 shares of common stock, with a relative fair value of \$12,372, were issued as compensation to the lenders and were recorded as a debt discount. All of the extended notes bear a 15% interest rate per annum payable monthly.

During the year ended December 31, 2012, the Company repaid two notes payable with an aggregate principal amount of \$75,000.

During the year ended December 31, 2012, the Company and certain lenders agreed to exchange certain notes payable with an aggregate principal balance of \$754,500 for an aggregate of 37,725,000 shares of common stock and five-year warrants to purchase an aggregate of 15,090,000 shares of common stock at an exercise price of \$0.03 per share. The common stock and warrants had an aggregate grant date value of \$824,208 and, as a result, the Company recorded a loss on extinguishment of \$69,708. The lenders received piggyback registration rights related to the stock and the stock issuable pursuant to the warrants.

The Company recorded amortization of debt discount of \$329,796 and \$345,369 during the years ended December 31, 2012 and 2011, respectively. Aggregate amortization of debt discount from December 30, 2008 (inception) to December 31, 2012 was \$885,892.

See Note 3 – Summary of Significant Accounting Policies – Concentrations and Credit Risk. See Note 11 – Subsequent Events – Notes Payable.

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BIORESTORATIVE THERAPIES, INC. & SUBSIDIARIES**(A COMPANY IN THE DEVELOPMENT STAGE)****Notes to Consolidated Financial Statements****Note 8 – Income Taxes**

The tax effects of temporary differences that give rise to deferred tax assets are presented below:

	For The Years Ended December 31,	
	2012	2011
Deferred Tax Assets:		
Net operation loss carryforward	\$3,817,200	\$2,544,500
Stock-based compensation	678,500	234,900
Accrued compensation	249,100	61,500
Intangible assets	2,100	-
Charitable contribution carryforward	200	100
Gross deferred tax assets	4,747,100	2,841,000
Deferred Tax Liabilities:		
Fixed assets	(4,800)	(21,000)
Gross deferred tax liabilities	(4,800)	(21,000)
Net deferred tax assets	4,742,300	2,820,000
Valuation allowance	(4,742,300)	(2,820,000)
Deferred tax asset, net of valuation allowance	\$-	\$-
Changes in valuation allowance	\$1,922,300	\$1,543,400

The income tax provision (benefit) consists of the following:

For The Years Ended
December 31,

Explanation of Responses:

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	2012	2011
Federal:		
Current	\$-	\$-
Deferred	(1,719,953)	(1,380,937)
State and local:		
Current	-	-
Deferred	(202,347)	(162,463)
	(1,922,300)	(1,543,400)
Change in valuation allowance	1,922,300	1,543,400
Income tax provision (benefit)	\$-	\$-

A reconciliation of the statutory federal income tax rate to the Company's effective tax rate is as follows:

	For The Years Ended December 31,	
	2012	2011
Tax benefit at federal statutory rate	(34)%	(34)%
State income taxes, net of federal benefit	(4)	(4)
Permanent differences	3	0
Prior period adjustments and other	6	0
Change in valuation allowance	29	38
Effective income tax rate	0 %	0 %

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BIORESTORATIVE THERAPIES, INC. & SUBSIDIARIES

(A COMPANY IN THE DEVELOPMENT STAGE)

Notes to Consolidated Financial Statements

Note 8 – Income Taxes – Continued

The Company assesses the likelihood that deferred tax assets will be realized. To the extent that realization is not likely, a valuation allowance is established. Based upon the Company's history of losses since inception, management believes that it is more likely than not that future benefits of deferred tax assets will not be realized.

At December 31, 2012 and 2011, the Company had approximately \$10,000,000 and \$5,600,000, respectively, of federal and state net operating losses that may be available to offset future taxable income. The net operating loss carry forwards, if not utilized, will expire from 2029 to 2032 for federal purposes. In accordance with Section 382 of the Internal Revenue Code, the usage of the Company's net operating loss carry forwards are subject to annual limitations due to greater than 50% ownership changes.

The Company files income tax returns in the U.S. federal jurisdiction and the state of Florida, and is subject to examination by the various taxing authorities. The Company's federal and state income tax returns for the tax years 2009 and forward remain subject to examination.

Note 9 – Commitments and Contingencies

Operating Lease

On January 20, 2011, the Company entered into a three year lease agreement with respect to premises located at the Alexandria Innovation Center in Jupiter, Florida. The lease, as amended on March 11, 2011, expires on January 31, 2014. No base rent was payable during the initial year and the lease provides for a base monthly rent of \$6,234 during the second year and \$6,422 during the third year. The Company has the right to lease the premises for an additional three years at the then fair market value rent. The aggregate base rent payable over the lease term is being recognized on a straight-line basis. See Note 6, Accrued Expenses and Other Liabilities, for the deferred rent balance.

The Company leased office space in Boca Raton, Florida under a month to month operating lease. Effective May 1, 2011, the Company terminated this lease.

Rent expense amounted to approximately \$102,000 and \$85,000 for the years ended December 31, 2012 and 2011, respectively. Rent expense for the period from December 30, 2008 (inception) to December 31, 2012 was approximately \$234,000. Rent expense is reflected in general and administrative expenses in the 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 consolidated financial position or results of operations.

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BIORESTORATIVE THERAPIES, INC. & SUBSIDIARIES

(A COMPANY IN THE DEVELOPMENT STAGE)

Notes to Consolidated Financial Statements

Note 9 – Commitments and Contingencies – Continued

Patent Assignment and Research Agreement

Effective June 15, 2012, the Company entered into an assignment agreement (the “Assignment Agreement”) with the research foundation of a state university (the “Foundation”), whereby the Foundation assigned all of its right, title and interest in specified patents to the Company in exchange for a cash payment of \$15,000. The Company also agreed to pay the Foundation a 5% royalty on Patent Revenue (as defined in the Assignment Agreement) over a 20 year period commencing on June 15, 2012. Through December 31, 2012, no royalties had been earned.

Effective June 15, 2012, the Company entered into a research agreement (the “Research Agreement”) with the same state university (the “University”). The Research Agreement has a term of three years. Pursuant to the Research Agreement, the University agreed to perform certain research services to be used by the Company. Pursuant to the Research Agreement, the Company agreed to pay the University a fee of \$500,000 for each twelve month period of the agreement, payable monthly. In addition, the Company agreed to pay to the University a 5% royalty, over a 20 year period commencing on June 15, 2012, on the net sales of all products and/or methods directly arising from inventions and improvements conceived or reduced to practice by the University in the course of performing research during the term of the Research Agreement. The Research Agreement can be cancelled without penalty upon (a) the second anniversary of the Research Agreement if eventual FDA approval does not appear likely or (b) other conditions specified in the Research Agreement.

During the year ended December 31, 2012, the Company recorded research and development expense of approximately \$286,000 in connection with the Assignment Agreement and Research Agreement. As of December 31, 2012, the Company has approximately \$83,000 accrued in connection with the Research Agreement, which is included in accrued expenses and other current liabilities in the consolidated balance sheet.

Consulting Agreements

Marketing Consulting Services

Pursuant to a February 17, 2011 agreement for marketing consulting services (the “Marketing Consulting Agreement”), which had an initial term that expired on June 30, 2011, the retained firm agreed to provide consultation and assistance with regard to the Company’s efforts to market itself with respect to medical tourism, establish business relationships with governmental officials, and establish an offshore stem cell treatment facility. Pursuant to the agreement, the Company paid \$20,000 in consideration of services rendered to date and a \$10,000 retainer for services to be rendered during the term. The Company also agreed to pay an additional \$20,000 fee, and issue 5,000,000 shares of common stock, both of which were to be paid, expensed and issued in equal monthly installments during the term of the agreement. On July 1, 2011 and again on September 1, 2011, the agreement was extended for additional three month terms and the Company agreed to pay an additional \$5,000 fee monthly in advance on the first day of each month. During the year ended December 31, 2011, the Company issued 5,000,000 shares of common stock valued at \$41,300, which was expensed during the period.

On January 1, 2012, the Marketing Consulting Agreement was further extended to December 31, 2012. Pursuant to the extended agreement, the Company agreed to 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.

On April 18, 2012, the Marketing Consulting Agreement was further amended. The Company agreed to pay a \$20,000 bonus (\$10,000 on August 31, 2012 and \$10,000 on December 31, 2012), and issue a five-year warrant to purchase 15,000,000 shares of common stock at an exercise price of \$0.03 per share. The warrant vested on January 1, 2013 and had a grant date value of \$226,500, which was recognized proportionate to the vesting period.

On December 7, 2012, the Marketing Consulting Agreement was further extended to December 31, 2013. Pursuant to the agreement, the Company will continue to pay a cash fee of \$10,000 per month and the Company granted a five-year warrant to purchase 3,000,000 shares of common stock at an exercise price of \$0.03 per share. The warrant vests on December 31, 2013 and had a grant date value of \$45,600 which will be recognized proportionate to the vesting period.

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BIORESTORATIVE THERAPIES, INC. & SUBSIDIARIES

(A COMPANY IN THE DEVELOPMENT STAGE)

Notes to Consolidated Financial Statements

Note 9 – Commitments and Contingencies – Continued

Consulting Agreements - Continued

Business Advisory Services

Pursuant to a February 17, 2011 agreement for business advisory services (the “Business Advisory Agreement”), which had an initial term that expired on March 31, 2012, the retained firm agreed to provide consultation and assistance with regard to the Company’s efforts to have its securities listed on the OTC Bulletin Board or a securities exchange, establish an offshore stem cell treatment facility, develop business, including with regard to acquisition and joint venture opportunities, develop a physician distribution network for the sale of the Company’s stem cell skin care products, and comply with regulatory requirements. Pursuant to the agreement, the Company paid \$35,000 in consideration of services rendered to-date and a \$25,000 retainer for services to be rendered during the term. The Company also agreed to pay an additional \$130,000 fee, and issue 10,500,100 shares of common stock, both of which were to be paid, expensed and issued in equal monthly installments during the term of the agreement. During the year ended December 31, 2011, the Company issued 8,077,000 shares of common stock valued at \$66,716 which was recognized during the period. During the year ended December 31, 2012, the Company issued 2,423,100 shares of common stock valued at \$20,015 which was recognized during the period.

On April 9, 2012, the Company issued a warrant to a shareholder in lieu of reimbursing certain costs associated with a contemplated financing that did not occur. The immediately vested, five-year warrant entitles the shareholder to purchase 4,000,000 shares of common stock at an exercise price of \$0.03 per share. The warrant had a grant date value of \$60,400 which was recognized immediately.

On April 18, 2012, the Business Advisory Agreement was extended for nine months until December 31, 2012. Pursuant to the extension, the Company agreed to pay an additional \$90,000 fee (\$10,000 monthly), a \$20,000 bonus (\$10,000 on August 31, 2012 and \$10,000 on December 31, 2012) and issue a five-year warrant to purchase 12,000,000 shares of common stock at an exercise price of \$0.03 per share. The warrant vests on January 1, 2013 and

had a grant date value of \$181,200, which was recognized proportionate to the vesting period.

On May 22, 2012, the Company entered into a one year agreement with a consultant to provide business advisory services whereby the consultant (a) was issued 87,500 shares of common stock and the Company recognized the \$1,400 fair value immediately and (b) on November 5, 2012 was issued 87,500 shares of common stock in connection with the Company's common stock becoming listed on the OTC Bulletin Board ("OTCBB") and upon which the Company recognized the \$1,400 fair value of the shares.

On June 1, 2012, the Company entered into a three month agreement with a consultant to provide business advisory services pursuant to which the consultant was entitled to receive an aggregate of 7,500,000 shares of common stock (2,500,000 shares per month). On November 15, 2012, the agreement was extended until February 15, 2013. Pursuant to the extension, the consultant was entitled to receive an additional 2,000,000 shares of common stock on the date of the extension and an additional 3,000,000 shares of common stock no later than February 7, 2013. During the year ended December 31, 2012, the Company issued 9,500,000 shares of common stock valued at \$152,000, which has been recorded as consulting expense.

On December 7, 2012, the Business Advisory Agreement was further extended to December 31, 2013. Pursuant to the agreement, the Company will continue to pay a cash fee of \$10,000 per month and the Company granted a five-year warrant to purchase 5,000,000 shares of common stock at an exercise price of \$0.03 per share. The warrant vests on December 31, 2013 and had a grant date value of \$76,000 which will be recognized proportionate to the vesting period.

Investor Relations Services

On April 3, 2012, the Company entered into a six month agreement with a consultant to provide investor relations services pursuant to which the Company agreed to pay the consultant \$15,000 per month. Effective July 1, 2012, the parties agreed that the consultant will be paid \$5,000 per month for the remainder of the term. The parties informally agreed to extend the agreement on a month to month basis. During the year ended December 31, 2012, the Company recorded consulting expense of \$75,000 related to the agreement.

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BIORESTORATIVE THERAPIES, INC. & SUBSIDIARIES

(A COMPANY IN THE DEVELOPMENT STAGE)

Notes to Consolidated Financial Statements

Note 9 – Commitments and Contingencies – Continued

Consulting Agreements – Continued

Financial Advisory Services

On November 14, 2012, the Company entered into a six month agreement with a consultant to provide financial advisory and investment banking services whereby the consultant was entitled to be paid \$8,000 upon execution of the agreement, is entitled to be paid \$8,000 upon delivery of specified presentation materials and \$8,000 monthly (commencing one month following delivery of the specified presentation materials) and is entitled to specified expense reimbursements. The consultant is also entitled to receive a cash commission (7% of equity financings, 5% of debt financings and 3% of bank debt financings) of the funds raised from investors that were directly attributable to the consultant's services. In addition, the consultant is entitled to a seven-year warrant to purchase shares of the Company's common stock equal to 7% of the securities issued to investors. During the year ended December 31, 2012, the Company recorded consulting expense of \$8,000. As of December 31, 2012, the consultant had not been responsible for any completed financings.

On November 15, 2012, the Company entered into an agreement with a consultant to provide financial advisory and investment banking services whereby the consultant is entitled to receive a commission (10% of equity financings completed prior to December 31, 2012 (the "Initial Equity Financing Fee"), 6% of equity financings completed after December 31, 2012 and 4% of debt financings) of the funds raised from investors that were directly attributable to the consultant's services. The Initial Equity Financing Fee was payable in cash. All other commissions are payable 25% in cash and 75% in Company common stock. The agreement expires on December 31, 2013 unless terminated by either party upon written notice. As of December 31, 2012, the consultant was paid cash commissions of \$25,000 on \$250,000 of equity financings.

Scientific Advisory Services

Effective June 10, 2011, the Company established a Scientific Advisory Board.

Pursuant to a June 10, 2011 agreement between the Company and its first appointed advisor, the advisor is entitled to: (1) an immediate grant of a vested five-year option to purchase 500,000 shares of common stock at an exercise price of \$0.024 per share; and (2) a grant on each successive anniversary date, on which he remains an advisor, of a vested five-year option to purchase 250,000 shares of common stock at an exercise price per share equal to the fair market value of the common stock on the date of grant. The Company immediately recognized the \$3,450 grant date fair value of the initial award.

Pursuant to a June 24, 2011 agreement between the Company and its second appointed advisor, the advisor is entitled to: (1) an immediate grant of a five-year option to purchase 2,000,000 shares of common stock at an exercise price of \$0.025 per share, of which 667,000 shares are immediately exercisable, 667,000 became exercisable on the first anniversary of the grant and 666,000 are exercisable on the second anniversary of the grant; and (2) a grant on the third anniversary of the award and each subsequent anniversary, on which he remains an advisor, of a vested five-year option to purchase 250,000 shares of common stock at an exercise price per share equal to the fair market value of the common stock on the date of grant. The \$14,600 grant date fair value of the initial award will be recognized one-third immediately with the balance amortized ratably over the vesting period.

On June 11, 2012, the Company granted a five-year, immediately vested option to the original advisor on its Scientific Advisory Board to purchase 250,000 shares of common stock at an exercise price of \$0.022 per share, pursuant to the Plan. The grant date value of \$3,300 was recognized immediately.

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BIORESTORATIVE THERAPIES, INC. & SUBSIDIARIES

(A COMPANY IN THE DEVELOPMENT STAGE)

Notes to Consolidated Financial Statements

Note 9 – Commitments and Contingencies – Continued

Consulting Agreements – Continued

Scientific Advisory Services – Continued

On August 16, 2012, the Company entered into a two year agreement with a consultant to serve as Chairman of the Company's Scientific Advisory Board and provide scientific advisory services whereby the consultant will earn \$10,000 per month (monthly payments begin after the Company raises \$3,000,000 in an equity and/or debt financing) and will be entitled to specified expense reimbursements. In addition, the Company granted a five-year option to purchase 10,000,000 shares of common stock at an exercise price of \$0.028 per share, pursuant to the Plan. The option vests as follows: (i) 2,000,000 shares immediately on the date of grant, 2,000,000 shares on the first anniversary of the date of grant and 2,000,000 on the second anniversary of the date of grant; and (ii) up to 4,000,000 shares upon receipt of research grants meeting specified criteria. The aggregate grant date value was \$151,000, of which approximately \$30,000 was recognized immediately, and approximately \$30,000 will be recognized ratably over each of the first and second years. It is not currently estimable when the specified performance criteria will be met and, as a result, the Company has not recognized any of the approximately \$30,000 expense associated with each of the fourth and fifth tranches.

On December 7, 2012, the Company granted ten-year options to the three advisors to purchase an aggregate of 5,500,000 shares of common stock at an exercise price of \$0.03 per share, pursuant to the Plan. The shares vest as follows: (i) 2,750,000 shares immediately and (ii) 2,750,000 shares on the first anniversary date. The aggregate grant date value of \$84,150 will be recognized proportionate to the vesting period.

Other

On December 14, 2012, the Company granted an immediately vested, five-year warrant to purchase 250,000 shares of common stock at an exercise price of \$0.03 per share to a consultant. The grant date value of \$3,800 was recognized immediately.

Employment Agreements

Chief Executive Officer

Effective October 4, 2010, the Company entered into an employment agreement with its Chief Executive Officer (the "CEO"). The employment agreement provided for an initial term of three years. On February 10, 2012, the term of the agreement was extended for an additional two years. The employment agreement shall be extended for successive one year periods unless either party provides ninety days written notice to the other party. The employment agreement provides for a minimum salary of \$360,000 during the initial year, \$480,000 during the second year and \$600,000 during the third through fifth years. In the event the term of the employment agreement is extended beyond the initial five year term, the base salary payable shall be increased by 20% per annum. The agreement also includes certain severance provisions.

Pursuant to the employment agreement, the CEO is entitled to an annual bonus in an amount equal to 50% of his then current salary. The bonus shall be payable in quarterly installments, commencing on the three month anniversary of the commencement of the employment agreement and continuing on each three month anniversary and shall not be subject to any condition.

In January 2011, pursuant to an amended employment agreement, the Company issued 15,000,000 shares of common stock to its CEO. In connection with this issuance, the Company immediately recorded the \$123,900 value of the common stock as stock-based compensation expense. The Company has agreed to be responsible for the payment of all taxes incurred by the CEO as a result of the grant, as well as all taxes incurred as a result of such tax payments on the CEO's behalf.

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BIORESTORATIVE THERAPIES, INC. & SUBSIDIARIES

(A COMPANY IN THE DEVELOPMENT STAGE)

Notes to Consolidated Financial Statements

Note 9 – Commitments and Contingencies – Continued

Employment Agreements – Continued

Chief Executive Officer – Continued

Effective May 31, 2011 (the “Modification Date”), the Company’s employment agreement with its CEO was amended to provide that an option granted to him on December 23, 2010 for the purchase of 50,000,000 shares of common stock (the “Original Grant”) was null and void. In addition, concurrently, the Company granted to the CEO 35,000,000 shares of common stock (the “Modified Grant”) pursuant to the Plan. The shares were to vest at such time as the Company received equity and/or debt financing in an aggregate amount equal to three times the tax payable in connection with the grant. The Company has agreed to be responsible for the payment of all taxes incurred by the CEO as a result of the grant, as well as all taxes incurred as a result of such tax payments on the CEO’s behalf. The Company did not recognize any incremental compensation expense for the modification of the grant because (1) the grant date fair value of the immediately vested Original Grant was fully recognized on the grant date; and (2) the fair value of the Modified Grant was less than the fair value of the Original Grant, both as of the Modification Date. On November 4, 2011, the Company and the CEO further modified the CEO’s 35,000,000 share restricted stock grant such that vesting became subject to the receipt of at least \$2,000,000 in additional equity and/or debt financing after such date. On April 2, 2012, the CEO’s 35,000,000 share stock grant vested as a result of the Company raising in excess of \$2,000,000 of financing since November 4, 2011. The Company has agreed to fund the CEO’s tax liability in connection with such vesting.

On February 10, 2012, in connection with the extension of the CEO’s employment agreement for an additional two years (through October 2015) as discussed above, the Board approved (1) an option grant to the CEO (see Note 10 – Stockholders’ Deficiency – Stock Options for additional details); and (2) the payment of a \$70,000 discretionary bonus to the CEO in connection with the signing of the SCTC Agreement. The discretionary bonus was paid on April 13, 2012.

As of December 31, 2012 and 2011, the accrued and unpaid compensation (salary, bonus, tax liability, car allowance and vacation pay) for the CEO was \$720,154 and \$161,800, respectively.

Other

In addition to the Company's employment agreement with the CEO, two employees have "at-will" employment agreements with the Company that provide for aggregate cash severance payments of \$125,000, payable over twelve months, upon involuntary termination.

Termination Agreements

Former President

In January 2011, pursuant to a Termination Agreement dated December 15, 2010, the Company reissued 12,576,811 shares of common stock to its former President. In addition, the Company agreed to pay \$120,000 of severance ratably over a 24 month period and took responsibility for approximately \$20,152 of business related credit card indebtedness. On November 8, 2011, the Company agreed to settle the remaining \$87,500 of severance due pursuant to the former President's termination agreement for \$22,500 and the Company recognized a \$65,000 gain on restructuring the payable balance. In addition, the Company agreed to pay-off the remaining business-related credit card indebtedness.

Founder/Stem Cell Research Company, LLC

Effective January 29, 2011, the Company terminated its relationship with a founder of the Company. Pursuant and subject to the terms and conditions of the Termination Agreement between the parties, the founder waived any rights he may have had pursuant to a certain employment agreement entered into with the Company in August 2010 and the Company agreed to pay to Stem Cell Research Company, LLC ("Stem Cell Research"), a principal shareholder of the Company, \$180,000 over a 12 month period. In addition, pursuant to the Termination Agreement, the founder and Stem Cell Research have agreed to certain restrictive covenants, including with regard to the sale of shares of common stock of the Company. On November 8, 2011, the Company agreed to settle the remaining \$100,000 due pursuant to the founder's termination agreement for \$50,000 and the Company recognized a \$50,000 gain on restructuring the payable balance.

BIORESTORATIVE THERAPIES, INC. & SUBSIDIARIES

(A COMPANY IN THE DEVELOPMENT STAGE)

Notes to Consolidated Financial Statements

Note 9 – Commitments and Contingencies – Continued

Termination Agreements – Continued

Other Employee

On April 4, 2011, the Board was informed of an employee's resignation and it authorized the payment of \$25,000 ratably over the eight months following the termination date, of which none was outstanding at December 31, 2011. Pursuant to the provisions of the Plan, the Board determined that the immediately vested options granted on December 15, 2010 to this employee for the purchase of 2,000,000 shares of common stock of the Company, for which the Company immediately recorded a charge equal to the \$15,840 grant date value, shall remain exercisable until, and shall thereupon terminate if not exercised, two years from the date of termination of employment.

Former Chief Financial Officer

In June 2011, the Company and its former Chief Financial Officer (the "Former CFO") entered into an agreement whereby, effective June 25, 2011, the Former CFO (1) resigned his director and officer positions with the Company and its subsidiaries; (2) became subject to a two year non-compete and non-solicitation restriction; plus certain restrictions on the sale of the Company's common stock; and (3) was entitled to receive an aggregate amount of \$50,000 of severance from the Company in full satisfaction of all obligations ratably over the remainder of the calendar year, of which \$46,154 was outstanding and included in accrued expenses and other current liabilities in the consolidated balance sheet at December 31, 2011. Pursuant to the Former CFO's December 15, 2010 option grant, his options to purchase 4,000,000 shares of Company common stock were forfeited three months after his termination date, but no stock-based compensation expense was reversed because the options were fully vested. 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.

Director Compensation

On April 4, 2011, two non-employees were elected to serve as directors of the Company. On April 21, 2011, the two new non-employee directors were each granted 5,000,000 shares of common stock. One-half of the shares vested and were expensed upon grant and the other half vested on the first anniversary of the grant. The aggregate \$82,600 grant date fair value was recognized one-half immediately with the balance amortized ratably over the vesting period. In addition, each of the directors is entitled to receive \$20,000 in cash, payable in four quarterly installments of \$5,000 (subject to deferral if the remaining directors determine that the Company needs to conserve its cash), of which \$50,000 was outstanding and included in accrued expenses and other current liabilities in the consolidated balance sheet at December 31, 2012. On December 7, 2012, the Board of Directors approved an increase in director compensation such that, effective January 1, 2013, each of the directors is entitled to receive \$40,000 in cash, payable in four quarterly installments of \$10,000 (subject to deferral if the remaining directors determine that the Company needs to conserve its cash).

Settlement Agreements

Quick Capital of L.I. Corp.

Effective February 23, 2011, the Company entered into a Settlement Agreement with Quick Capital and Olde Estate, LLC (“Olde Estate”). Pursuant to the Settlement Agreement, the Company paid to Quick Capital approximately \$36,000 and issued to Olde Estate 8,312,500 shares of its common stock valued at \$68,662, which was immediately expensed, in satisfaction of the Company’s monetary and stock issuance obligations to Quick Capital and Olde Estate under a Credit Support, Security and Registration Rights Agreement, dated as of August 17, 2010.

Sound Surgical Technologies, LLC

On March 8, 2011, the Company and Sound Surgical Technologies, LLC (“Sound Surgical”) entered into a Settlement Agreement and Release of Claim (the “Settlement Agreement”) pursuant to which the parties agreed that the Company’s purchase from Sound Surgical of one piece of equipment was cancelled, the Company’s obligations under a certain purchase agreement were terminated and the Company retained one piece of purchased equipment. On March 8, 2011, the Company paid to Sound Surgical \$65,000 in connection with the purchase of the retained equipment and to complete the Settlement Agreement.

BIORESTORATIVE THERAPIES, INC. & SUBSIDIARIES

(A COMPANY IN THE DEVELOPMENT STAGE)

Notes to Consolidated Financial Statements

Note 9 – Commitments and Contingencies – Continued

Settlement Agreements – Continued

Other

On September 12, 2012, the Company issued an immediately vested, five-year warrant to purchase 250,000 shares of common stock at an exercise price of \$0.03 per share in order to settle a dispute with an investor. The grant date value of \$3,775 was recognized immediately.

On October 18, 2012, the Company and former counsel entered into a Settlement Agreement and Release of Claim (the “Settlement Agreement”) pursuant to which the parties agreed that the Company would pay such former counsel \$15,000 in settlement of a payable in the amount of \$18,970. The Company recorded a gain on settlement of \$3,970.

Sale of Equipment

On August 22, 2011, the Company sold equipment for \$32,000 to a third party. The Company purchased the equipment in September 2010 for \$65,000 and recognized a loss on sale of equipment of \$21,614 which was recorded in general and administrative expenses in the consolidated statement of operations.

Note 10 – Stockholders’ Deficiency

Authorized Capital

The Company is authorized to issue 1,500,000,000 shares (increased from 800,000,000 shares on February 10, 2012) of common stock, \$0.001 par value, and 1,000,000 shares of preferred stock, \$0.01 par value. The holders of the Company's common stock are entitled to one vote per share. Subject to the rights of holders of preferred stock, if any, the holders of common stock are entitled to receive ratably such dividends, if any, as may be declared by the Board of Directors out of legally available funds. Subject to the rights of holders of preferred stock, if any, upon liquidation, dissolution or winding up of the Company, holders of common stock are entitled to share ratably in all assets of the Company that are legally available for distribution.

2010 Equity Participation Plan

On July 17, 2012, the Board of Directors of the Company approved an increase in the number of shares of common stock that may be issued pursuant to the Plan to 300,000,000 from 200,000,000. On December 7, 2012, the shareholders of the Company approved the increase.

On March 28, 2011, the Board of Directors of the Company approved an increase in the number of shares of common stock that may be issued pursuant to the Plan to 200,000,000 from 100,000,000. On April 4, 2011, the shareholders of the Company approved the increase.

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, anytime until February 10, 2013. In December 2012, the shareholders of the Company approved a one year extension of such Board authority to February 10, 2014. The Board has not yet approved a reverse stock split.

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BIORESTORATIVE THERAPIES, INC. & SUBSIDIARIES

(A COMPANY IN THE DEVELOPMENT STAGE)

Notes to Consolidated Financial Statements

Note 10 – Stockholders’ Deficiency – Continued

Common Stock Issuances

During the year ended December 31, 2011, the Company issued an aggregate of 8,000,000 shares of common stock at a price of \$0.025 per unit to investors for aggregate gross proceeds of \$200,000. In connection with the purchases, the Company issued warrants for the purchase of an aggregate of 2,000,000 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 \$31,233.

During the year ended December 31, 2012, the Company issued an aggregate of 80,000,000 shares of common stock at prices ranging from \$0.020 to \$0.025 per unit to investors for aggregate gross proceeds of \$1,925,000. In connection with the purchases, the Company issued warrants for the purchase of an aggregate of 30,150,000 shares of common stock, which are exercisable over a period of five years at exercise prices ranging from \$0.030 to \$0.080 per share of common stock. The warrants had an aggregate grant date value of \$430,431.

See Note 7 – Notes Payable for details associated with common stock issued in conjunction with the issuance, extension and exchange of notes payable.

See Note 9 – Commitments and Contingencies – Termination Agreements for details associated with a 2011 common stock reissuance to the Company’s Former President.

Warrant and Option Valuation

The Company has computed the fair value of warrants and options granted using the Black-Scholes option pricing model. Option forfeitures are estimated at the time of valuation and reduce expense ratably over the vesting period. This estimate will be adjusted periodically based on the extent to which actual option forfeitures differ, or are expected to differ, from the previous estimate, when it is material. The Company estimated forfeitures related to option grants at an annual rate of 0% for options granted during the years ended December 31, 2012 and 2011. The expected term used for warrants and options issued to non-employees is the contractual life and the expected term used for options issued to employees is the estimated period of time that options granted are expected to be outstanding. The Company utilizes the “simplified” method to develop an estimate of the expected term of “plain vanilla” employee option grants. Since the Company’s stock has not been publicly traded for a sufficiently long period of time, the Company is utilizing an expected volatility figure based on a review of the historical volatilities, over a period of time, equivalent to the expected life of the instrument being valued, of similarly positioned public companies within its industry. The risk-free interest rate was determined from the implied yields from U.S. Treasury zero-coupon bonds with a remaining term consistent with the expected term of the instrument being valued.

Stock Warrants

See Note 7 – Notes Payable for details associated with the issuance of warrants in connection with note issuances and the extension of debt maturities. See Note 9 – Commitments and Contingencies for details associated with the issuance of warrants as compensation. See Note 10 – Stockholders’ Deficiency – Common Stock Issuances for details associated with the issuance of warrants in connection with common stock issuances.

In applying the Black-Scholes option pricing model to warrants granted, the Company used the following weighted average assumptions (excludes the impact of the second and third tranches of the SCTC Warrant; see Note 5 – Intangible Assets for additional details):

	For The Years Ended			
	December 31,			
	2012		2011	
Risk free interest rate	0.66	%	0.44	%
Expected term (years)	5.00		5.00	
Expected volatility	184	%	185	%
Expected dividends	0.00	%	0.00	%

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BIORESTORATIVE THERAPIES, INC. & SUBSIDIARIES**(A COMPANY IN THE DEVELOPMENT STAGE)****Notes to Consolidated Financial Statements****Note 10 – Stockholders’ Deficiency – Continued**Stock Warrants – Continued

The weighted average estimated fair value of the warrants granted during the years ended December 31, 2012 and 2011 was approximately \$0.014 and \$0.016 per share, respectively.

The Company recorded stock-based compensation expense of \$494,875 and \$0 during the years ended December 31, 2012 and 2011, respectively, and \$547,253 during the period from December 30, 2008 (inception) to December 31, 2012, related to stock warrants issued as compensation, which is reflected as consulting expense in the consolidated statements of operations. As of December 31, 2012, there was \$115,200 of unrecognized stock-based compensation expense related to stock warrants that will be amortized over a weighted average period of 1.0 year.

A summary of the warrant activity during the years ended December 31, 2012 and 2011 is presented below:

	Number of Warrants	Weighted Average Exercise Price	Weighted Average Remaining Life In Years	Intrinsic Value
Outstanding, December 31, 2010	2,000,000	\$ 0.010		
Granted	2,000,000	0.030		
Exercised	-	-		
Forfeited	-	-		
Outstanding, December 31, 2011	4,000,000	\$ 0.020		
Granted	162,740,000	0.034 [1]		
Exercised	-	-		
Forfeited	-	-		

Explanation of Responses:

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Outstanding, December 31, 2012	166,740,000	\$ 0.034	4.4	\$ 12,000
Exercisable, December 31, 2012	96,740,000	\$ 0.037	4.3	\$ 12,000

The following table presents information related to stock warrants at December 31, 2012:

Exercise Price	Warrants Outstanding Number of Warrants	Warrants Exercisable	
		Weighted Average Remaining Life In Years	Exercisable Number of Warrants
\$0.010	2,000,000	1.6	2,000,000
0.020	2,000,000	4.0	2,000,000
0.030	108,240,000	4.4	73,240,000
0.035	2,000,000	4.3	2,000,000
0.050	6,000,000	4.5	6,000,000
0.080	11,500,000	4.8	11,500,000
Variable[1]	35,000,000	-	-
	166,740,000	4.3	96,740,000

[1] – Warrants to purchase 35,000,000 shares of common stock, which have an exercise price which is the greater of \$0.03 per share or the fair market value of the common stock on the date certain performance criteria is met, have not been included in the calculation of the weighted average price of options granted. See Note 5 – Intangible Assets.

BIORESTORATIVE THERAPIES, INC. & SUBSIDIARIES

(A COMPANY IN THE DEVELOPMENT STAGE)

Notes to Consolidated Financial Statements

Note 10 – Stockholders’ Deficiency – Continued

Stock Options

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

	For The Years Ended December 31,			
	2012		2011	
Risk free interest rate	0.85	%	1.54	%
Expected term (years)	5.34		4.51	
Expected volatility	183	%	205	%
Expected dividends	0.00	%	0.00	%

The weighted average estimated fair value of the stock options granted during the years ended December 31, 2012 and 2011 was approximately \$0.010 and \$0.008 per share, respectively.

See Note 9 – Commitments and Contingencies for details associated with certain grants of options as compensation to employees, directors and consultants.

Employee Awards

On April 5, 2011, the Company granted a ten-year option to an employee to purchase 4,000,000 shares of common stock at an exercise price of \$0.01 per share, pursuant to the Plan. Options for the purchase of 2,000,000 of such

Explanation of Responses:

shares became exercisable immediately and options for the purchase of the remaining 2,000,000 shares become exercisable on the first anniversary of the date of grant. The \$32,400 grant date fair value was recognized one-half immediately with the balance amortized ratably over the vesting period. On June 24, 2011, the employee qualified to receive a cash bonus of \$10,000 and vested ten-year options for the purchase of 150,000 shares of common stock at an exercise price of \$0.025 per share, pursuant to his employment agreement. The \$1,200 grant date value of these options was recognized immediately. On November 4, 2011, the employee qualified to receive a \$20,000 cash bonus and vested ten-year options for the purchase of 1,000,000 shares of common stock at an exercise price of \$0.02 per share. The \$8,000 grant date value of these options was recognized immediately.

On April 21, 2011, the Company granted a ten-year option to an employee to purchase 300,000 shares of common stock at an exercise price of \$0.02 per share, pursuant to the Plan, of which 100,000 shares were immediately exercisable, 100,000 became exercisable on the first anniversary of the grant and 100,000 are exercisable on the second anniversary of the grant. The \$2,430 grant date fair value will be recognized one-third immediately with the balance amortized ratably over the vesting period.

On February 10, 2012, the Company granted ten-year options to employees to purchase an aggregate of 54,000,000 shares of common stock at an exercise price of \$0.021 per share, pursuant to the Plan. The options vest as follows: (i) an option granted to the CEO to purchase 50,000,000 shares of common stock 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; and (ii) options to purchase an aggregate of 4,000,000 shares of common stock vest to the extent of one-half of the shares immediately and one-half on the first anniversary of the date of grant. The aggregate grant date value of \$421,200 will be recognized proportionate to the vesting periods.

On May 3, 2012, the Company granted ten-year options to two employees to purchase an aggregate of 7,550,000 shares of common stock at an exercise price of \$0.028 per share, pursuant to the Plan. Options to purchase 1,550,000 shares vest as follows: (i) 25,000 shares immediately, (ii) 525,000 shares on the first anniversary date, (iii) 500,000 shares on the second anniversary date and (iv) 500,000 shares on the third anniversary date. On June 15, 2012, options to purchase 1,000,000 shares vested as a result of the execution of the Research Agreement. The aggregate grant date value of \$117,010 was recognized proportionate to the vesting period. Options to purchase the remaining 5,000,000 shares vest subject to the satisfaction of certain performance conditions. It is not currently probable that the performance conditions will be met and, as a result, the Company has not recognized any expense associated with the shares.

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BIORESTORATIVE THERAPIES, INC. & SUBSIDIARIES

(A COMPANY IN THE DEVELOPMENT STAGE)

Notes to Consolidated Financial Statements

Note 10 – Stockholders’ Deficiency – Continued

Stock Options – Continued

Employee Awards – Continued

On December 7, 2012, the Company granted ten-year options to three employees to purchase an aggregate of 27,500,000 shares of common stock at an exercise price of \$0.03 per share, pursuant to the Plan. The shares vest as follows: (i) 13,750,000 shares immediately and (ii) 13,750,000 shares on the first anniversary date. The aggregate grant date value of \$420,750 will be recognized proportionate to the vesting period.

The Company recorded employee stock-based compensation expense of \$522,691 and \$38,968 during the years ended December 31, 2012 and 2011, respectively. During the period from December 30, 2008 (inception) to December 31, 2012, the Company recorded \$1,018,621 related to employee stock option grants, which is reflected as payroll and benefits expense in the consolidated statements of operations. As of December 31, 2012, there was \$363,151 of unrecognized employee stock-based compensation expense related to stock option grants that will be amortized over a weighted average period of 1.1 years.

Non-Employee Director Awards

On April 2, 2011, a director of the Company resigned. Pursuant to the provisions of the Plan, the Board determined that the options granted on December 15, 2010 for the purchase of 4,000,000 shares of common stock of the Company shall remain exercisable until, and shall thereupon terminate if not exercised, two years from the date of resignation.

On April 7, 2011, a director of the Company resigned. Pursuant to the provisions of the Plan, the Board determined that the options granted on December 15, 2010 for the purchase of 4,000,000 shares of common stock of the Company shall remain exercisable until, and shall thereupon terminate if not exercised, five years from the date of resignation.

On February 10, 2012, the Company granted ten-year options to non-employee directors to purchase an aggregate of 60,000,000 shares of common stock at an exercise price of \$0.021 per share, pursuant to the Plan. The options vest to the extent of one-half of the shares immediately and one-half on the first anniversary of the date of grant. The aggregate grant date value of \$468,000 will be recognized proportionate to the vesting period.

On December 7, 2012, the Company granted ten-year options to non-employee directors to purchase an aggregate of 10,000,000 shares of common stock at an exercise price of \$0.03 per share, pursuant to the Plan. The shares vest as follows: (i) 5,000,000 shares immediately and (ii) 5,000,000 shares on the first anniversary date. The aggregate grant date value of \$153,000 will be recognized proportionate to the vesting period.

The Company recorded non-employee director stock-based compensation expense of \$522,750 and \$0 during the years ended December 31, 2012 and 2011, respectively. During the period from December 30, 2008 (inception) to December 31, 2012, the Company recorded \$649,472 related to non-employee director stock option grants, which is reflected as consulting expense in the consolidated statements of operations. As of December 31, 2012, there was \$98,250 of unrecognized non-employee director stock-based compensation expense related to stock option grants that will be amortized over a weighted average period of 0.7 years.

Consultant Awards

On April 27, 2011, the Company granted to an entity a ten-year option to purchase 200,000 shares of common stock at an exercise price of \$0.02 per share, pursuant to the Plan. Options for the purchase of 100,000 of such shares became exercisable immediately and options for the purchase of the remaining 100,000 shares became exercisable when the key employee of the consultant became a full-time employee of the Company on November 1, 2011. Aggregate stock-based compensation expense of \$1,620 was recognized during 2011.

The Company recorded consultant and advisory board stock-based compensation expense of \$90,789 and \$11,966 during the years ended December 31, 2012 and 2011, respectively. During the period from December 30, 2008 (inception) to December 31, 2012, the Company recorded \$102,755 related to consultant and advisory board stock option grants, which is reflected as consulting expense in the consolidated statements of operations. As of December 31, 2012, there was \$85,965 of unrecognized consultant and advisory board stock-based compensation expense related to stock option grants that will be amortized over a weighted average period of 1.3 years.

BIORESTORATIVE THERAPIES, INC. & SUBSIDIARIES**(A COMPANY IN THE DEVELOPMENT STAGE)****Notes to Consolidated Financial Statements****Note 10 – Stockholders’ Deficiency – Continued**Stock Options – Continued*Option Award Summary*

A summary of the option activity during the years ended December 31, 2012 and 2011 is presented below:

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Life In Years	Intrinsic Value
Outstanding, December 31, 2010	72,000,000	\$ 0.004		
Granted	8,150,000	0.017		
Exercised	-	-		
Voided	(50,000,000)	0.001		
Forfeited	(4,000,000)	0.010		
Outstanding, December 31, 2011	26,150,000	\$ 0.012		
Granted	174,800,000	0.024		
Exercised	-	-		
Forfeited	(50,000)	0.028		
Outstanding, December 31, 2012	200,900,000	\$ 0.022	8.5	\$ 132,000
Exercisable, December 31, 2012	98,800,667	\$ 0.021	8.2	\$ 132,000

The following table presents information related to stock options at December 31, 2012:

Explanation of Responses:

Options Outstanding	Options Exercisable	Options Exercisable	Options Exercisable
Exercise Price	Number of Options	Weighted Average Remaining Life In Years	Number of Options
\$0.010	22,000,000	5.1	22,000,000
0.020	1,500,000	8.7	1,400,000
0.021	114,000,000	9.1	48,666,667
0.022	250,000	4.4	250,000
0.024	500,000	3.4	500,000
0.025	2,150,000	4.0	1,484,000
0.028	17,500,000	6.2	3,000,000
0.030	43,000,000	9.9	21,500,000
	200,900,000	8.2	98,800,667

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BIORESTORATIVE THERAPIES, INC. & SUBSIDIARIES

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Notes to Consolidated Financial Statements

Note 10 – Stockholders’ Deficiency – Continued

Common Stock Awards

See Note 9 – Commitments and Contingencies for details associated with certain grants of common stock as compensation to employees, directors and consultants.

Employee Awards

The Company recorded employee stock-based compensation expense of \$0 and \$123,900 during the years ended December 31, 2012 and 2011, respectively. During the period from December 30, 2008 (inception) to December 31, 2012, the Company recorded \$123,900 related to employee stock grants, which is reflected as payroll and benefits expense in the consolidated statement of operations. As of December 31, 2012, there was no unrecognized employee stock-based compensation expense related to stock grants.

Non-Employee Director Awards

The Company recorded non-employee director stock-based compensation expense of \$10,325 and \$72,275 during the years ended December 31, 2012 and 2011, respectively. During the period from December 30, 2008 (inception) to December 31, 2012, the Company recorded \$97,200 related to non-employee director stock grants, which is reflected as consulting expense in the consolidated statements of operations. As of December 31, 2012, there was no unrecognized non-employee director stock-based compensation expense related to stock grants.

Consultant Awards

Explanation of Responses:

On September 1, 2011, the Company granted 4,000,000 shares of immediately vested common stock to its legal counsel. The \$33,040 grant date fair value was recognized immediately.

On December 7, 2012, the Company granted 2,000,000 shares of immediately vested common stock to its legal counsel. The \$32,000 grant date fair value was recognized immediately.

During the years ended December 31, 2012 and 2011, the Company issued 14,098,100 and 25,389,500 shares of common stock, respectively, valued at \$206,815 and \$209,717, respectively, in connection with consulting agreements.

The Company recorded consultant and advisory board stock-based compensation expense of \$206,815 and \$209,717 during the years ended December 31, 2012 and 2011, respectively. During the period from December 30, 2008 (inception) to December 31, 2012, the Company recorded \$1,591,195 related to consultant and advisory board stock grants, which is reflected as consulting expense in the consolidated statements of operations. As of December 31, 2012, there was no unrecognized consultant and advisory board stock-based compensation expense related to stock grants.

Stock Award Summary

A summary of common stock award activity during the years ended December 31, 2012 and 2011 is presented below:

	Number of Shares	Weighted Average Grant Date Fair Value	Total Grant Date Fair Value
Non-vested, December 31, 2010	-	\$ -	\$-
Granted	85,389,500	0.00826	705,317
Vested	(45,389,500)	0.00826	(374,917)
Forfeited	-	-	-
Non-vested, December 31, 2011	40,000,000	\$ 0.00826	\$ 330,400
Granted	14,098,100	0.01467	206,815
Vested	(54,098,100)	0.00993	(537,215)
Forfeited	-	-	-
Non-vested, December 31, 2012	-	\$ -	\$-

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BIORESTORATIVE THERAPIES, INC. & SUBSIDIARIES

(A COMPANY IN THE DEVELOPMENT STAGE)

Notes to Consolidated Financial Statements

Note 11 – Subsequent Events

Issuance of Common Stock

Subsequent to December 31, 2012, the Company issued an aggregate of 37,500,000 shares of common stock at prices ranging from \$0.02 to \$0.03 per unit to investors for aggregate gross proceeds of \$820,000. In consideration of the purchases, the Company issued five-year warrants for the purchase of an aggregate of 16,400,000 shares of common stock, which are exercisable at exercise prices ranging from \$0.03 to \$0.08 per share of common stock. The warrants had an aggregate grant date fair value of \$196,230.

Notes Payable

On March 26, 2013 Cayman borrowed an additional \$450,000 from the Bermuda Lender, which was combined with the already outstanding \$3,550,000 of previous borrowings from the Bermuda Lender into a new \$4,000,000 zero coupon note which matures on July 31, 2014. In consideration of the additional \$450,000 loan, the settlement of accrued and unpaid interest of \$213,000, and for extending the maturity date of the loan, the Company issued to the Bermuda Lender 30,000,000 shares of common stock and a five year warrant to purchase 20,000,000 shares of common stock at an exercise price of \$0.05 per share. The common stock and warrant had an aggregate relative fair value of \$617,336.

In addition to the debt financing described above, subsequent to December 31, 2012, the maturity dates of certain notes payable with an aggregate principal balance of \$103,500 were extended to new maturity dates ranging from November 2013 through April 2014. All of the extended notes bear a 15% interest rate per annum payable monthly. Subsequent to December 31, 2012, the Company and certain lenders agreed to exchange certain notes payable with an aggregate principal balance of \$112,500 for an aggregate of 5,625,000 shares of common stock and five-year warrants to purchase an aggregate of 2,250,000 shares of common stock at an exercise price of \$0.03 per share. The warrants had an aggregate issuance date value of \$29,700. The lenders received piggyback registration rights related to the stock and the stock issuable pursuant to the warrants.

Subsequent to December 31, 2012, the Company issued 250,000 shares to a lender in connection with the 2012 extension of the maturity date of a note payable. The shares had a relative fair value of \$3,700.

The Company currently has notes payable aggregating \$50,000 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. However, there can be no assurance that the Company will be successful in extending or converting these notes.

Notes payable, non-current portion represents notes payable whose maturity was extended after the balance sheet date but before the financial statements were issued.

As of the filing date of this report, 80% of the face value of the Company's outstanding notes payable were sourced from the Bermuda Lender and the maturity date associated with these notes is July 31, 2014.

Stock-Based Compensation

Subsequent to December 31, 2012, pursuant to a November 15, 2012 consulting agreement extension, a consultant was issued 3,000,000 shares of common stock valued at \$48,000.

Subsequent to December 31, 2012, a consultant was issued 24,100 shares of common stock for consulting services valued at \$723.

Subsequent to December 31, 2012, the Company granted an immediately vested, five-year warrant to purchase 5,000,000 shares of common stock at an exercise price of \$0.08 per share as consideration for legal services. The grant date value of \$59,000 was recognized immediately.

Subsequent to December 31, 2012, the Company granted an immediately vested, three-year warrant to purchase 500,000 shares of common stock at an exercise price of \$0.03 per share to a consultant. The grant date value of \$6,600 was recognized immediately.

BIORESTORATIVE THERAPIES, INC. & SUBSIDIARIES

(A COMPANY IN THE DEVELOPMENT STAGE)

Notes to Consolidated Financial Statements

Note 11 – Subsequent Events – Continued

Stock-Based Compensation – Continued

Subsequent to December 31, 2012, the Company granted a ten-year option to an advisor to purchase 3,000,000 shares of common stock at an exercise price of \$0.03 per share, pursuant to the Plan. The shares vest as follows: (i) 1,500,000 shares immediately and (ii) 1,500,000 shares on the first anniversary of the grant date. The grant date value of \$45,900 will be recognized proportionate to the vesting period.

Agreement in Principle

On February 8, 2013, the Company entered into an agreement in principle with an investment banker to act as the Company's financial advisor and as placement agent in the event the Company conducts a specified proposed offering of equity securities. The agreement in principle expires on July 15, 2013, but continues on a month-to-month basis, subject to the parties' right to terminate earlier. The investment banker was paid \$25,000 as a placement fee advance, which is to be applied against the final placement fee, when and if earned, which will be 7.5% of the gross proceeds of the proposed offering. In addition, the investment banker would be entitled to five-year warrants for the purchase of a number of shares equal to 5% of the shares issued in the proposed offering and the exercise price would be equal to 125% of the offering price. The Company has agreed to reimburse up to \$100,000 of the investment banker's legal out-of-pocket costs, plus other sundry expenditures. As of the filing date of this report, the proposed offering was still under review and had not commenced. This disclosure does not constitute an offer of any securities for sale and there can be no assurance that the Company will be able to sell securities under this offering.

Advance from Director

Subsequent to December 31, 2012, the Company received a non-interest bearing advance from a director in the amount of \$50,000 and made repayments of \$50,000, such that the Company had no liability remaining on the advance.

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