

RenovaCare, Inc.
Form 10-Q
August 15, 2016

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

FORM 10-Q

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

For the quarterly period ended **June 30, 2016**

“ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number **000-30156**

RENOVACARE, INC.

(Exact name of registrant as specified in its charter)

Nevada
(State or other jurisdiction of incorporation)

98-0384030
(I.R.S. Employer Identification No.)

430 Park Avenue

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Suite 702

New York, NY 10022

(Address of principal executive offices)

888-398-0202

(Registrant's telephone number, including area code)

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

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

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

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>

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

As of August 15, 2016, the registrant had 69,955,847 shares of its common stock, par value \$0.00001 per share, issued and outstanding.

RENOVACARE, INC.

FORM 10-Q

For The Quarter Ended June 30, 2016

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PART I

Item 1. Financial Statements

RENOVACARE, INC.

CONSOLIDATED BALANCE SHEETS

	June 30, 2016 (unaudited)	December 31, 2015
ASSETS		
Current assets		
Cash and cash equivalents	\$ 276,147	\$ 397,589
Prepaid expenses	27,980	10,293
Total current assets	304,127	407,882
Intangible assets	152,854	152,854
Total assets	\$ 456,981	\$ 560,736
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued expenses	\$ 80,676	\$ 71,563
Accrued expenses - related parties	25,935	30,095
Contract and contribution payable	59,375	134,125
Total current liabilities	165,986	235,783
Long term liabilities		
Contract and contribution payable, less current portion	100,000	100,000
Total liabilities	265,986	335,783
STOCKHOLDERS' EQUITY		
Preferred stock: \$0.0001 par value: Authorized: 10,000,000 shares Issued and outstanding: nil	-	-
Common stock: \$0.00001 par value: Authorized: 500,000,000 shares Issued and outstanding: 69,955,847 and 67,781,934 shares	699	678
Additional paid-in capital	10,472,236	9,197,970
Accumulated deficit	(10,281,940)	(8,973,695)
Total stockholders' equity	190,995	224,953
Total liabilities and stockholders' equity	\$ 456,981	\$ 560,736

(The accompanying notes are an integral part of these consolidated financial statements)

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RENOVACARE, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)

	For the Three Months Ended	
	June 30,	
	2016	2015
Revenue	\$ -	\$ -
Expenses		
Research and development expenses	73,810	50,235
General and administrative expenses	453,544	165,695
Total operating expenses	527,354	215,930
Net loss	\$ (527,354)	\$ (215,930)
Earnings per share - basic and diluted		
Loss per common share	\$ (0.01)	\$ (0.00)
Weighted average shares outstanding	69,955,847	66,852,595

	For the Six Months Ended	
	June 30,	
	2016	2015
Revenue	\$ -	\$ -
Expenses		
Research and development expenses	185,632	111,625
General and administrative expenses	1,122,613	369,502
Total operating expenses	1,308,245	481,127
Net loss	\$ (1,308,245)	\$ (481,127)
Earnings per share - basic and diluted		
Loss per common share	\$ (0.02)	\$ (0.01)
Weighted average shares outstanding	69,561,676	66,714,122

(The accompanying notes are an integral part of these consolidated financial statements)

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RENOVACARE, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

	For the Six Months Ended	
	June 30,	
	2016	2015
Cash flows from operating activities:		
Net loss	\$ (1,308,245)	\$ (481,127)
Adjustments to reconcile net loss to net cash flows from operating activities:		
Impairment loss	-	10,000
Stock based compensation expense	274,287	20,663
Changes in operating assets and liabilities:		
Decrease (increase) in prepaid expenses	(17,687)	(21,869)
(Decrease) increase in accounts payable and accrued expenses	9,113	7,880
(Decrease) increase in accrued expenses - related parties	(4,160)	34,670
(Decrease) increase in contract and contributions payable	(74,750)	(100,750)
Net cash flows from operating activities	(1,121,442)	(530,533)
Cash flows from investing activity:		
Proceeds from exercise of warrants and issuance of common stock	1,000,000	1,010,000
Change in cash and cash equivalents	(121,442)	479,467
Cash and cash equivalents, beginning of period	397,589	683,098
Cash and cash equivalents, end of period	\$ 276,147	\$ 1,162,565

(The accompanying notes are an integral part of these consolidated financial statements)

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RENOVACARE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Organization, Nature and Continuance of Operations

RenovaCare, Inc., together with its wholly owned subsidiary (the "Company"), focuses on the acquisition, research, development and, if warranted, commercialization of autologous (using a patient's own cells) cellular therapies that can be used for medical and aesthetic applications.

On July 12, 2013, the Company, through its wholly owned subsidiary, RenovaCare Sciences Corp. ("RenovaCare Sciences"), completed the acquisition of its flagship technologies (collectively, the "CellMist™ System") along with the associated United States patent applications and two foreign patents, the first of which expires on August 22, 2027 and the second of which expires on April 26, 2031. The Cell Mist™ System is comprised of (a) a treatment methodology for cell isolation for the regeneration of human skin cells (the "CellMist™ Solution") and (b) a solution sprayer device (the "SkinGun™") for delivering the cells to the treatment area. The solution sprayer device also is a medical-grade liquid spraying device for general use in wound care and irrigation. Based on these technologies the Company has recently filed two additional patent applications, one with the United States Patent and Trademark Office titled "Modular Device for Cell Spraying" and one with the European Patent Office titled "Disposable Apparatus and Device with Unsterile Reusable Apparatus for Sterile Application of a Liquid."

The Company has recently incurred net operating losses and operating cash flow deficits. As of June 30, 2016, the Company's accumulated deficit is \$10.3 million. The Company does not currently generate revenues and will continue to incur losses from operations and operating cash flow deficits in the future. Management believes that the Company's cash and cash equivalent balances and other external sources of capital will be sufficient to meet the Company's cash requirements through September 30, 2016. The future of the Company after September 30, 2016 will depend on its ability to successfully raise capital from external sources to fund operations. If the Company is unable to obtain adequate funds, or if such funds are not available to it on acceptable terms, the Company's ability to continue its business as planned will be significantly impaired and it may cause the Company to curtail operations.

2. Significant Accounting Policies

Basis of Presentation and Principles of Accounting

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The interim consolidated financial statements included herein have been prepared by the Company, without audit, in accordance with the rules and regulations of the Securities and Exchange Commission ("SEC") pursuant to Part 210 of Regulation S-X. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") have been condensed or omitted pursuant to such SEC rules and regulations, although the Company believes that the disclosures included are adequate to make the information presented not misleading.

In management's opinion, the unaudited consolidated financial statements contained herein reflect all adjustments, consisting solely of normal recurring items, which are necessary for the fair presentation of the Company's financial position, results of operations, and cash flows on a basis consistent with that of the Company's prior audited consolidated financial statements. The Company has evaluated information about subsequent events that became available to us through the date the financial statements were issued. This information relates to events, transactions or changes in circumstances that would require us to adjust the amounts reported in the financial statements or to disclose information about those events, transactions or changes in circumstances. The results of operations for interim periods may not be indicative of results to be expected for the full fiscal year. Therefore, these financial statements should be read in conjunction with the Company's audited financial statements, including the notes thereto for the year ended December 31, 2015, which may be found under the Company's profile on EDGAR.

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Principles of Consolidation

These consolidated financial statements have been prepared in accordance with US GAAP and include the accounts of the Company and its wholly owned subsidiary, RenovaCare Sciences. All significant intercompany transactions and balances have been eliminated. RenovaCare Sciences was incorporated under the laws of the State of Nevada on June 12, 2013.

Applicable Accounting Guidance

Any reference in these notes to applicable accounting guidance is meant to refer to the authoritative non-governmental US GAAP as found in the Financial Accounting Standards Board's Accounting Standards Codification.

In May 2014, the Financial Accounting Standards Board ("FASB") issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606), which supersedes the revenue recognition requirements in Accounting Standards Codification ("ASC") 605, Revenue Recognition. The new revenue recognition standard requires entities to recognize revenue in a way that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. ASU 2014-09 is effective for interim and annual reporting periods beginning after December 15, 2017 and is to be applied retrospectively. The Company does not currently have any revenue. As such, ASU 2014-09 will not have any effect on the Company's results of operations and financial position. If the Company begins generating revenue prior to the effective date of ASU 2014-09, it will evaluate the effect that ASU 2014-09 will have on its results of operations and financial position.

In February 2016, the FASB issued ASU 2016-02, Leases, which supersedes ASC Topic 840, Leases, and creates a new topic, ASC Topic 842, Leases. ASU 2016-02 requires lessees to recognize a lease liability and a lease asset for all leases, including operating leases, with a term greater than 12 months on its balance sheet. ASU 2016-02 also expands the required quantitative and qualitative disclosures surrounding leases. ASU 2016-02 is effective for the Company beginning January 1, 2019. Early adoption is permitted. The Company has determined that the adoption of ASU 2016-02 will currently have no impact on its consolidated financial statements.

In March 2016, the FASB issued ASU 2016-19, Stock Compensation, which is intended to simplify several aspects of the accounting for share-based payment award transactions. The guidance will be effective for the fiscal year beginning after December 15, 2016, including interim periods within that year. The Company is in the process of evaluating the impacts of the adoption of this ASU.

Accounting Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses during the reporting period. Actual results, as determined by future events, may differ from these estimates.

Cash and Cash Equivalents

The Company considers all highly liquid instruments purchased with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents may at times exceed federally insured limits.

Fair Value of Financial Instruments

The carrying amounts for cash and cash equivalents, contract and contribution payable and accounts payable and accrued expenses approximate fair value based on observable quoted prices for active markets – Level 1 inputs.

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Research and Development Costs

The Company intends to outsource its research and development efforts and expense related costs as incurred, including the cost of manufacturing product for testing, licensing fees and costs associated with planning and conducting clinical trials. The value ascribed to patents and other intellectual property acquired will be capitalized as it relates to particular research and development projects that may have alternative future uses.

Intangible Assets

The intangible asset consists primarily of the SkinGun™ technology that the Company acquired during 2013 and is recorded at cost. At the time of acquisition, the technology had not reached technological feasibility. The amount capitalized is accounted for as an indefinite-lived intangible asset, subject to impairment testing until completion or abandonment. Upon successful completion, a determination will be made as to the then useful life of the intangible asset, generally determined by the period in which substantially all of the cash flows are expected to be generated, and begin amortization. The Company tests the intangible asset for impairment at least annually or more frequently if impairment indicators exist after performing a qualitative analysis. Management has multiple criteria that it considers when performing the qualitative analysis. The results of this review are then weighed and prioritized. If the totality of the relevant events and circumstances indicate that the intangible asset is not impaired, additional impairment tests are not necessary.

The Company assessed the following qualitative factors that could affect any change in the fair value of the intangible asset: analysis of the technology's current phase, additional testing necessary to bring the technology to market, development of competing products, changes in projections caused by delays, changes in regulations, changes in the market for the technology and changes in cost projections to bring the technology to market. Based on a qualitative assessment, management concluded that a positive assertion can be made from the qualitative assessment that it is more likely than not that the intangible asset related to the SkinGun™ is not impaired. The Company did, however, determine that an intangible asset related to wound care technology, acquired during 2013, was impaired during the period ended March 31, 2015 and recorded an impairment loss (a component of research and development expenses) amounting to \$10,000 which was equal to the amount capitalized.

Stock Options

The Company measures all stock-based compensation awards using a fair value method on the date of grant and recognizes such expense in its consolidated financial statements over the requisite service period. The Company uses the Black-Scholes pricing model to determine the fair value of stock-based compensation awards on the date of grant.

The Black-Scholes pricing model requires management to make assumptions regarding option lives, expected volatility, and risk free interest rates.

Income Taxes

The Company recognizes income taxes on an accrual basis based on tax positions taken, or expected to be taken, in tax returns. A tax position is defined as a position in a previously filed tax return or a position expected to be taken in future tax filing that is reflected in measuring current or deferred income tax assets and liabilities. Tax positions are recognized only when it is more likely than not (i.e., likelihood of greater than 50%), based on technical merits, that the position would be sustained upon examination by taxing authorities. Tax positions that meet the more likely than not threshold are measured using a probability-weighted approach as the largest amount of tax benefit that is greater than 50% likely of being realized upon settlement. Income taxes are accounted for using an asset and liability approach that requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been recognized in the Company's financial statements or tax returns. A valuation allowance is established to reduce deferred tax assets if all, or some portion, of such assets will more than likely not be realized. Should they occur, the Company's policy is to classify interest and penalties related to tax positions as interest expense. Since the Company's inception, no such interest or penalties have been incurred. The Company did not record an income tax provision during the periods presented due to net taxable losses.

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Earnings (Loss) Per Share

The Company presents both basic and diluted earnings per share ("EPS") amounts. Basic EPS is calculated by dividing net income (loss) by the weighted average number of common shares outstanding during the period presented. Diluted EPS amounts are based upon the weighted average number of common and common equivalent shares outstanding during the period presented. Potentially dilutive shares of common stock consisted of warrants to purchase shares of common stock (6,796,087 shares as of June 30, 2016 and 8,970,000 at December 31, 2015) and options to purchase shares of common stock (437,500 shares as of June 30, 2016 and 257,500 as of December 31, 2015). During the periods presented, potentially dilutive shares of common stock were not included in the computation of dilutive loss per share as to do so would be anti-dilutive.

Related Party Transactions

A related party is generally defined as (i) any person who holds 10% or more of the Company's securities and their immediate families; (ii) the Company's management; (iii) someone who directly or indirectly controls, is controlled by or is under common control with the Company; or (iv) anyone who can significantly influence the financial and operating decisions of the Company. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties. See "Note 6. Related Party Transactions," for further discussion.

3. Common Stock Options

2013 Long-Term Incentive Plan

On June 20, 2013, the Board of Directors (the "Board") adopted, subject to receiving shareholder approval, the 2013 Long-Term Incentive Plan (the "Incentive Plan"). The Incentive Plan provides for the issuance of stock options of up to 20,000,000 shares (subject to adjustment) of the Company's common stock to officers, directors, key employees and consultants of the Company. Options granted to employees under the Incentive Plan, including directors and officers who are employees, may be incentive stock options or non-qualified stock options; options granted to others under the Incentive Plan are limited to non-qualified stock options. On November 15, 2013, shareholders owning a majority of the Company's issued and outstanding shares approved the Incentive Plan.

The Incentive Plan is administered by the Board or a committee designated by the Board. Subject to the provisions of the Incentive Plan, the Board has the authority to determine the officers, employees and consultants to whom options will be granted, the number of shares covered by each option, vesting rights and the terms and conditions of each option that is granted to them; however, no person may be granted in any of the Company's fiscal year, options to purchase more than 2,000,000 shares under the Incentive Plan, and the aggregate fair market value (determined at the time the option is granted) of the shares with respect to which incentive stock options are exercisable for the first time by an optionee during any calendar year cannot exceed \$100,000. Options granted pursuant to the Incentive Plan are exercisable no later than ten years after the date of grant.

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The exercise price per share of common stock for options granted under the Incentive Plan will be the fair market value of the Company's common stock on the date of grant, using the closing price of the Company's common stock on the last trading day prior to the date of grant, except for incentive stock options granted to a holder of ten percent or more of the Company's common stock, for whom the exercise price per share will not be less than 110% of the fair market value. No option can be granted under the Incentive Plan after June 20, 2023.

As of June 30, 2016, there were 19,562,500 shares available for grant.

Stock Option Activity

The following table summarizes stock option activity for the period ended June 30, 2016:

	Options Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value
Balance January 1, 2016	257,500	\$ 1.04	8.58	\$ 354,725
Options granted	180,000	\$ 1.91	9.76	\$ 91,800
Balance June 30, 2016	437,500	\$ 1.40	9.04	\$ 446,525
Exercisable at June 30, 2016	350,000	\$ 1.40	9.06	\$ 358,055

The fair value of each stock option is estimated at the date of grant using the Black-Scholes option pricing model. There were 180,000 stock options granted during the six months ended June 30, 2016 with a weighted-average grant date fair value of \$1.40. There were 15,000 stock options granted during the six months ended June 30, 2015 with a weighted-average grant date fair value of \$1.00. Assumptions regarding volatility, expected term, dividend yield and risk-free interest rate are required for the Black-Scholes model. The volatility assumption is based on the Company's historical experience. The risk-free interest rate is based on a U.S. treasury note with maturity similar to the option award's expected life. The expected life represents the average period of time that options granted are expected to be outstanding. The assumptions for volatility, expected life, dividend yield and risk-free interest rate for options granted are presented in the table below:

	2016	2015
Expected life in years	1.41%	1.49% - 1.71%
Weighted Avg. Expected Volatility	5.5	5.5
	92.2%	94.4%

Expected dividend yield

0

0

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Stock option expense reflected in the consolidated statements of operations related to stock options issued to our employees, directors and non-employee scientific advisory board members and consultants are recognized at fair value using the Black-Scholes option-pricing model with weighted average assumptions described above. For the three months ended June 30, 2016, total stock-based compensation expense recognized amounted to \$1,169. For the six months ended June 30, 2016, total stock-based compensation expense recognized amounted to \$274,287. For the six months ended June 30, 2015, total stock-based compensation expense recognized amounted to \$20,663. For the three months ended June 30, 2015, total stock-based compensation expense recognized amounted to \$9,719.

Stock-based compensation expense is recognized as general and administrative expenses.

There were 350,000 stock options vested and 87,500 stock options unvested as of June 30, 2016. As of June 30, 2016, the Company had \$51,279 of total unrecognized compensation cost related to unvested stock options, which is expected to be recognized by November 1, 2020.

The Company issues new shares when options are exercised.

4. Common Stock

On February 2, 2016, Kalen Capital Corporation exercised a portion of its Series B Warrant for 2,173,913 shares of the Company's common stock at an exercise price of \$0.46 per share resulting in proceeds of \$1,000,000.

The following table summarizes information about warrants outstanding at June 30, 2016:

	Shares of Common Stock	Exercise Price	Expiration Date
Series A	960,000	\$ 0.35	July 12, 2019
Series B			November
	1,326,087	\$ 0.46	29, 2018
Series C			November
	3,500,000	\$ 0.49	29, 2018
Series D	1,010,000	\$ 1.10	June 5, 2020
Outstanding as of June 30, 2016	6,796,087		

5. Contract and Contribution Payable

On September 25, 2014, the Company entered into a Charitable Grant Agreement with the University of Pittsburgh (the "University"), pursuant to which the Company committed to provide a charitable donation to the University in the aggregate amount of \$75,000 (the "Grant"). The Company will pay the Grant in eight quarterly installments of \$9,375, with the first payment made on or before October 2014 and the final payment to be made on or before July 31, 2016. Dr. Gerlach, from whom the Company purchased the CellMist™ System, is a professor at the University. At June 30, 2016, the amount payable to the University of \$9,375 was recorded as current liabilities in the accompanying consolidated balance sheet.

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On July 12, 2013, the Company, together with its wholly owned subsidiary, RenovaCare Sciences, entered into an asset purchase agreement with Dr. Jörg Gerlach, MD, PhD, pursuant to which RenovaCare Sciences purchased all of Dr. Gerlach's rights, title and interest in the CellMist™ System. As amended, the asset purchase agreement provided for cash payments of \$300,000 as partial consideration for the purchase which are payable as follows: (a) \$100,000 on December 31, 2014; (b) \$50,000 on December 31, 2015; (c) \$50,000 on December 31, 2016; and (d) \$100,000 on December 31, 2017. At June 30, 2016, \$50,000 of the amount payable to Dr. Gerlach was recorded as current liabilities and \$100,000 was recorded as long-term liabilities in the accompanying consolidated balance sheet.

On May 1, 2015, the Company entered into a new option agreement (the "Option Agreement") with Dr. Gerlach, pursuant to which the Company obtained a one-year exclusive option to evaluate a wound cap technology. Pursuant to the terms of the Option Agreement, the Company will pay Dr. Gerlach a non-refundable fee of \$24,000, payable in four quarterly installments of \$6,000, with the first installment due on May 1, 2015 and the final payment during the three months ended March 31, 2016.

Below is a summary of contract and contribution payable at June 30, 2016 and December 31, 2015:

	2016	2015
Contribution payable to the University of Pittsburgh, in quarterly installments of \$9,375, through July 2016	\$ 9,375	\$ 28,125
Contract payable to Dr. Jorg Gerlach in connection with the APA. \$50,000 is due on December 31, 2016 and \$100,000 is due on December 31, 2017	150,000	200,000
Contract for option agreement purchase	-	6,000
Total	159,375	234,125
Less: current portion	(59,375)	(134,125)
Long-term portion	\$ 100,000	\$ 100,000

See also "Note 6. Related Party Transactions."

6. Related Party Transactions

As compensation for their service on the Board, Dr. Kirkland and Mr. Sierchio will receive an annual retainer of \$6,000, payable in equal yearly installments in arrears and prorated for any partial years of service.

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For the three and six months ended June 30, 2016, directors' and consulting fees with respect to officers and directors of the Company were \$3,000 (2015: \$3,000) and \$6,000 (2015: \$6,000). Legal fees incurred with respect to one of the Company's directors in the three and six months ended June 30, 2016 were \$54,665 (2015: \$28,125) and \$91,515 (\$67,105), respectively. Amounts included in accrued expenses – related parties were \$25,935 at June 30, 2016 and \$30,095 as of December 31, 2015.

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In connection with the Company's FDA filings, the Company engaged StemCell Systems to provide it with prototypes and related documents. Pursuant to this engagement the Company incurred expenses of \$36,000 and \$15,050 for the three months ended June 30, 2016 and 2015, respectively, and \$72,000 and \$59,960 for the six months ended June 30, 2016 and 2015, respectively. Dr. Gerlach, from whom the Company purchased the CellMist™ System, is a principal of StemCell Systems.

On September 25, 2014, the Company entered into a Charitable Grant Agreement with the University, pursuant to which it committed to provide a charitable donation to the University in the aggregate amount of \$75,000. The Company will pay the Grant in eight quarterly installments of \$9,375, with the first payment made on or before October 2014 and the final payment to be made on or before July 31, 2016. Dr. Gerlach, from whom the Company purchased the CellMist™ System, is a professor at the University.

On May 1, 2015, the Company entered into the Option Agreement with Dr. Gerlach, pursuant to which the Company obtained a one-year exclusive option to evaluate certain technology for a fee of \$24,000, payable in four quarterly installments of \$6,000, with the first installment due on May 1, 2015. The final payment under the Option agreement was paid during the three months ended March 31, 2016.

On February 2, 2016, Kalen Capital Corporation exercised a portion of its Series B Warrant for 2,173,913 shares of our common stock at an exercise price of \$0.46 per share resulting in proceeds of \$1,000,000. Kalen Capital Corporation is wholly owned by Mr. Harmel S. Rayat, the Company's majority shareholder.

7. Subsequent Events

On July 20, 2016, the Company appointed Harold Safferstein to its Scientific Advisory Board and issued Mr. Safferstein a stock option to purchase up to 7,500 shares of the Company's common stock at a price of \$2.28 per share, the closing price of the Company's common stock as quoted on the OTCQB on July 19, 2016. The shares underlying the option may be exercised on a "cashless basis" using the formula contained therein and, subject to Mr. Safferstein's service with the Company the shares underlying the option vest on January 20, 2017.

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

Forward-Looking Statements

You should read the following discussion and analysis of our financial condition and results of operations together with our financial statements and related notes appearing elsewhere in this Quarterly Report filed on Form 10-Q. This discussion and analysis contains forward-looking statements that involve risks, uncertainties and assumptions. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of many factors.

This discussion and analysis should be read in conjunction with the accompanying unaudited interim consolidated financial statements and related notes. The discussion and analysis of the financial condition and results of operations are based upon the unaudited interim consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of any contingent liabilities at the financial statement date and reported amounts of revenue and expenses during the reporting period. On an on-going basis we review our estimates and assumptions. The estimates were based on historical experience and other assumptions that we believe to be reasonable under the circumstances. Actual results are likely to differ from those estimates under different assumptions or conditions, but we do not believe such differences will materially affect our financial position or results of operations. Critical accounting policies, the policies us believes are most important to the presentation of its financial statements and require the most difficult, subjective and complex judgments, are outlined below in "Critical Accounting Policies," and have not changed significantly.

Cautionary Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q contains certain "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, as well as information relating to RenovaCare, Inc. and its subsidiaries that is based on management's exercise of business judgment and assumptions made by and information currently available to management. Although forward-looking statements in this Quarterly Report on Form 10-Q reflect the good faith judgment of our management, such statements can only be based o