

RenovaCare, Inc.  
Form 10-Q  
November 13, 2014

**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 **September 30, 2014**

**“ 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**  
**Suite 702**

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**New York, NY 10022**

(Address of principal executive offices)

**800-755-5815**

(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 x No "

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

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

|                         |    |                           |    |
|-------------------------|----|---------------------------|----|
| Large accelerated filer | .. | Accelerated filer         | .. |
| Non-accelerated filer   | .. | Smaller reporting company | x  |

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

As of November 13, 2014, the registrant had 66,575,122 shares of its common stock, par value \$0.00001 per share, issued and outstanding.

**RENOVACARE, INC.**

**FORM 10-Q**

**For The Quarter Ended September 30, 2014**

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## PART I

## Item 1. Financial Statements

**RENOVACARE, INC.**  
**CONSOLIDATED BALANCE SHEETS**

|  | September<br>30,<br>2014<br>(unaudited) | December<br>31,<br>2013 |
|--|---|-------------------------|
| <b>ASSETS</b>  |   |                         |
| <b>Current assets</b>  |   |                         |
| Cash and cash equivalents  | \$ 889,795                              | \$ 1,508,843            |
| Prepaid expenses   | 16,894                                  | 1,230                   |
| Other receivables  | 2,400                                   | -                       |
| <b>Total current assets</b>  | <b>909,089</b>                          | <b>1,510,073</b>        |
| Note receivable from Duke Mountain                                 | 80,000                                  | 80,000                  |
| Intangible assets  | 162,854                                 | 162,854                 |
| <b>Total assets</b>  | <b>\$ 1,151,943</b>                     | <b>\$ 1,752,927</b>     |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>                        |   |                         |
| <b>Current liabilities</b>   |   |                         |
| Accounts payable and accrued liabilities                           | \$ 15,641                               | \$ 11,222               |
| Accrued expenses - related parties                                 | 45,978                                  | 44,219                  |
| Other current liabilities  | 137,500                                 | -                       |
| <b>Total current liabilities</b>                                   | <b>199,119</b>                          | <b>55,441</b>           |
| <b>Long term liabilities</b>                                       |   |                         |
| Other long term liabilities  | 237,500                                 | -                       |
| <b>Total liabilities</b>   | <b>\$ 436,619</b>                       | <b>\$ 55,441</b>        |
| <b>STOCKHOLDERS' EQUITY</b>  |   |                         |
| 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         |   |                         |
| Issued and outstanding: 66,575,122 shares                          | 666                                     | 666                     |
| Additional paid-in capital   | 8,116,001                               | 7,220,612               |
| Accumulated deficit  | (7,401,343)                             | (5,523,792)             |
| <b>Total stockholders' equity</b>                                  | <b>715,324</b>                          | <b>1,697,486</b>        |
| <b>Total liabilities and stockholders' equity</b>                  | <b>\$ 1,151,943</b>                     | <b>\$ 1,752,927</b>     |

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

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**RENOVACARE, INC.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
**(unaudited)**

|  | <b>For the Three Months<br/>Ended<br/>September 30,</b> |              | <b>For the Nine Months<br/>Ended<br/>September 30,</b> |              |
|--|---|--------------|--|--------------|
|  | <b>2014</b>   | <b>2013</b>  | <b>2014</b>  | <b>2013</b>  |
| <b>Revenue</b>   | \$ -  | \$ -         | \$ -   | \$ -         |
| <b>Expenses</b>  |   |              |  |              |
| Research and development expenses                      | 902,219   | -            | 956,719  | -            |
| General and administrative expenses                    | 373,629   | 184,862      | 920,832  | 329,103      |
| Total operating expenses                               | 1,275,848   | 184,862      | 1,877,551  | 329,103      |
| <b>Net loss from continuing operations</b>             | (1,275,848)   | (184,862)    | (1,877,551)  | (329,103)    |
| <b>Discontinued operations</b>                         |   |              |  |              |
| Gain on disposal of oil and gas property               | -   | -            | -  | 49,338       |
| <b>Gain (Loss) on discontinued operations</b>          | -   | -            | -  | 49,338       |
| <b>Net loss</b>  | \$ (1,275,848)  | \$ (184,862) | \$ (1,877,551)   | \$ (279,765) |
| <b>Earnings per share - basic and diluted</b>          |   |              |  |              |
| Loss per common share continuing operations            | \$ (0.02)   | (0.00)       | (0.03)   | (0.01)       |
| Income (loss) per common share discontinued operations | 0.00  | 0.00         | 0.00   | 0.00         |
| Loss per common share                                  | \$ (0.02)   | \$ (0.00)    | \$ (0.03)  | \$ (0.01)    |
| Weighted average shares outstanding                    | 66,575,122  | 63,075,122   | 66,575,122   | 63,075,122   |

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

**RENOVACARE, INC.****CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY****For the nine months ended September 30, 2014 and the year ended December 31, 2013****(unaudited)**

|   | <b>Common Stock</b> |               | <b>Additional</b> | <b>Accumulated</b> | <b>Accumulated</b>   | <b>Total</b> |
|---|---------------------|---------------|-------------------|--------------------|----------------------|--------------|
|   | <b>Shares</b>       | <b>Amount</b> | <b>paid-in</b>    | <b>deficit</b>     | <b>other</b>         |              |
|   |                     |               | <b>capital</b>    |                    | <b>comprehensive</b> |              |
|   |                     |               |                   |                    | <b>(loss)</b>        |              |
| Balance, December 31, 2012                            | 63,075,122          | \$ 631        | \$ 5,462,236      | \$ (4,491,004)     | \$ (4,104)           | \$ 967,759   |
| Stock based compensation                              |                     |               |                   |                    |                      |              |
| -Series A Warrant                                     | -                   | -             | 237,971           | -                  | -                    | 237,971      |
| Stock based compensation – options                    | -                   | -             | 15,440            | -                  | -                    | 15,440       |
| Issuance of Units                                     | 3,500,000           | 35            | 1,504,965         | -                  | -                    | 1,505,000    |
| Reclassification adjustment on disposal of subsidiary | -                   | -             | -                 | -                  | 4,104                | 4,104        |
| Net loss December 31, 2013                            | -                   | -             | -                 | (1,032,788)        | -                    | (1,032,788)  |
| Balance, December 31, 2013                            | 66,575,122          | 666           | 7,220,612         | (5,523,792)        | -                    | 1,697,486    |
| Stock based compensation - Series A Warrant           | -                   | -             | 848,388           | -                  | -                    | 848,388      |
| Stock based compensation – options                    | -                   | -             | 47,001            | -                  | -                    | 47,001       |
| Net loss, September 30, 2014                          | -                   | -             | -                 | (1,877,551)        | -                    | (1,877,551)  |
| Balance, September 30, 2014                           | 66,575,122          | \$ 666        | \$ 8,116,001      | \$ (7,401,343)     | \$ -                 | \$ 715,324   |

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



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

**For the Nine Months  
Ended  
September 30,  
2014                      2013**

**Cash flows from operating activities:**

|  |                  |                  |
|--|------------------|------------------|
| Net loss   | \$ (1,877,551)   | \$ (279,765)     |
| Adjustments to reconcile net loss to net cash flows from operating activities: |                  |                  |
| Stock based compensation expense   | 47,001           | 9,622            |
| Stock based consulting expense   | 848,388          | 54,668           |
| Gain on disposal of oil and gas properties                                     | -                | (49,338)         |
| Changes in operating assets and liabilities:                                   |                  |                  |
| Decrease (increase) in receivables   | (2,400)          | 800              |
| Decrease (increase) in prepaid expenses  | (15,664)         | 6,058            |
| (Decrease) increase in accounts payable and accrued expenses                   | 6,178            | 83,313           |
| (Decrease) increase in current liabilities                                     | 137,500          | -                |
| (Decrease) increase in long term liabilities                                   | 237,500          | -                |
| <b>Net cash flows from operating activities</b>                                | <b>(619,048)</b> | <b>(174,642)</b> |

**Cash flows from investing activities:**

|  |          |                  |
|--|----------|------------------|
| Proceeds from disposal of oil and gas properties | -        | 3,000            |
| Acquisition of intellectual property             | -        | (105,854)        |
| <b>Net cash flows from investing activities</b>  | <b>-</b> | <b>(102,854)</b> |

|   |                   |                   |
|---|-------------------|-------------------|
| <b>Change in cash and cash equivalents</b>      | <b>(619,048)</b>  | <b>(277,496)</b>  |
| Cash and cash equivalents, beginning of period  | 1,508,843         | 513,595           |
| <b>Cash and cash equivalents, end of period</b> | <b>\$ 889,795</b> | <b>\$ 236,099</b> |

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

**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. The Company was previously involved in the exploration and development of both mineral exploration properties and oil and gas properties.

On July 12, 2013, the Company, through its wholly owned subsidiary, RenovaCare Sciences Corp. (“RenovaCare Sciences”), completed the acquisition of its flagship technology, a treatment methodology for skin isolation, spraying and associated equipment for the regeneration of human skin cells (the “Cell Deposition Device”), along with the associated United States patent applications and two (2) foreign patents, the first of which expires on August 22, 2027 and the second of which expires on April 26, 2031. The Company effected the acquisition of the Cell Deposition Device through an asset purchase agreement with Dr. Gerlach on July 12, 2013, and paid Dr. Gerlach an initial sum of \$100,002 at that time. This asset purchase agreement was amended on September 9, 2014 (the “Amended APA”). Pursuant to the terms of the Amended APA, the Company is obligated to pay Dr. Gerlach an additional \$300,000 in four installments: (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. Additionally, the Company issued to Dr. Gerlach a Series A Warrant allowing him to purchase up to 1,200,000 shares of our common stock at a purchase price of \$0.35 per share.

The Company has recently incurred net operating losses and operating cash flow deficits. As of September 30, 2014, the Company’s total accumulated deficit is \$7.4 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, anticipated cash flows from operations and other external sources of capital will be sufficient to meet the Company’s cash requirements through March 31, 2015. The future of the Company after March 2015 will depend in large part on its ability to successfully raise capital from external sources to fund operations.

**2. Significant Accounting Policies**

*Basis of Presentation and Principles of Accounting*

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. However, 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, 2013, which may be found under the Company’s profile on EDGAR.

### *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 June 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-10, Development Stage Entities (Topic 915): Elimination of Certain Financial Reporting Requirements. ASU 2014-10 eliminates the distinction of a development stage entity and certain related disclosure requirements, including the elimination of inception-to-date information on the statements of operations, cash flows and stockholders' equity. The amendments in ASU 2014-10 will be effective prospectively for annual reporting periods beginning after December 15, 2014, and interim periods within those annual periods, however early adoption is permitted. The Company adopted ASU 2014-10 during the quarter ended June 30, 2014, thereby no longer presenting or disclosing any information required by Topic 915.

In May 2014, the 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, 2016 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.

### *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.

*Note Receivable from Duke Mountain*

The note receivable from Duke Mountain Resources, Inc. (“Duke”) is unsecured, bears interest at 4.0% and principal and interest are due on December 31, 2015. The Company’s credit risk assessment is limited due to the related party nature of the arrangement.

*Fair Value of Financial Instruments*

The carrying amounts for cash and cash equivalents and current and long term liabilities approximate fair value based on observable quoted prices for active markets – Level 1 inputs. The carrying amount of the note receivable from Duke approximates fair value based on similar market inputs for interest rates for a specific creditor – Level 2 inputs.

### *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 Cell Deposition Device 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 it is not more likely than not that the fair value of the intangible asset is less than its carrying amount, 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 not more likely than not that the fair value of the intangible asset is less than its carrying amount.

### *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.

### *Discontinued Operations*

The results of the Company's oil and gas and mineral assets are being reported as discontinued operations as a result of the sale of the oil and gas properties in February 2013 and the sale of the Company's subsidiary which controlled various mineral leases and claims in December 2013. Certain amounts reported in the prior periods presented have been reclassified to conform to the current period financial statement presentation. These reclassifications have no effect on previously reported net income (loss).

### *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 (8,200,000 shares as of September 30, 2014 and December 31, 2013) and options to purchase shares of common stock (185,000 shares as of September 30, 2014 and 80,000 as of December 31, 2013). 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. Intangible Assets – Intellectual Property**

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 Cell Deposition Device. The Company plans to further the development of the Cell Deposition Device and, if commercially viable, bring the product to market. This asset purchase agreement was amended on September 9, 2014 (the "Amended APA"). Pursuant to the terms of the Amended APA, upon the



closing of the transaction in July 2013, the Company paid Dr. Gerlach \$100,002. An additional \$300,000 will be paid in four installments: (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 September 30, 2014, \$100,000 of the amount payable to Dr. Gerlach was recorded as other current liabilities and \$200,000 was recorded as other long term liabilities in the accompanying consolidated balance sheet.

As further consideration for the Cell Deposition Device, the Company issued to Dr. Gerlach a Series A Stock Purchase Warrant (the "Series A Warrant") entitling him to purchase 1,200,000 shares (each a "Warrant Share") of the Company's common stock at an exercise price of \$0.35 per share. Pursuant to the terms of the Amended APA, the Series A Warrant will now vest in five equal installments of 240,000 shares on each of July 12, 2014, July 12, 2015, July 12, 2016, July 12, 2017 and July 12, 2018. Vesting will no longer be contingent on the achievement of certain milestones and on Dr. Gerlach's continuing to provide consulting services to the Company, but instead on passage of time. Prior to September 9, 2014, the effective date of the Amended APA, the value of the Series A Warrant was recognized as consulting expenses over the vesting term. In addition, the fair value of each Warrant Share was estimated at the end of each reporting period during which Dr. Gerlach rendered services using the Black-Scholes option pricing model. Effective September 9, 2014, the Company measured and expensed the value of the Series A Warrant in full and recorded this value as research and development costs. The fair value of each Warrant Share as of September 9, 2014, using the Black-Scholes option pricing model, was \$0.91.

Assumptions required for the Black-Scholes model are as follows:

|  |      |       |
|--|------|-------|
| Weighted average risk-free interest rate | 1.72 | %     |
| Expected life in years                   | 4.75 | Years |
| Weighted Avg Expected Volatility         | 93.8 | %     |
| Expected dividend yield                  | 0    | %     |

Consulting expense associated with the Series A Warrant amounted to \$115,840 and \$311,173 during the three and nine months ended September 30, 2014. Research and development expense associated with the Series A Warrant amounted to \$537,217 during both the three and nine months ended September 30, 2014. Consulting expense associated with the Series A Warrant during both the three and nine months ended September 30, 2013 was \$54,668.

#### 4. Common Stock Option

##### *Approval of the 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 September 30, 2014, there were 19,815,000 shares available for grant.

*Stock Option Activity*

On August 1, 2013, the Company granted to each of Messrs. Kirkland and Sierchio 20,000 stock options. The exercise price per share is \$0.65; 10,000 options vested on the grant date and, subject to continued service as a member of the Company's Board, the remaining 10,000 options vested on August 1, 2014 and may be exercised on a "cashless basis" using the formula contained therein.

Effective December 1, 2013, the Company appointed Mr. Bold as its President & CEO and entered into an at-will consulting agreement (the "Consulting Agreement") with Mr. Bold. Pursuant to the terms of the Consulting Agreement, Mr. Bold was issued a stock option to purchase up to 40,000 shares of the Company's common stock (the "Option Shares") at a price of \$0.75 per share the closing price of the Company's common stock as quoted on the OTCQB on November 29, 2013. The Options Shares may be exercised on a "cashless basis" using the formula contained therein and, subject to Mr. Bold's continued service as the Company's President and Chief Executive Officer, the Options Shares vest as follows, 20,000 on: (a) December 1, 2014; and (b) December 1, 2015.

On April 1, 2014, the Company appointed Ms. Patsy Trisler as its Vice President – Clinical & Regulatory Affairs and entered into an at-will consulting agreement (the "Trisler Consulting Agreement") with Ms. Trisler. Pursuant to the terms of the Trisler Consulting Agreement, Ms. Trisler was issued Option Shares to purchase up to 50,000 shares of the Company's common stock at a price of \$1.05 per share, the closing price of the Company's common stock as quoted on the OTCQB on April 1, 2014. The Options Shares may be exercised on a "cashless basis" using the formula contained therein and, subject to Ms. Trisler's continued service as the Company's Vice President – Clinical & Regulatory Affairs, the Options Shares vest as follows, 10,000 on: (a) April 1, 2015; (b) April 1, 2016; (c) April 1, 2017; (d) April 1, 2018; and (e) April 1, 2019.

On April 20, 2014, the Company appointed Andrew Danielson as its Director of Business Development and issued Mr. Danielson Option Shares to purchase 5,000 shares of the Company's common stock at a price of \$1.05 per share, the closing price of the Company's common stock as quoted on the OTCQB on April 17, 2014. The Options Shares may be exercised on a "cashless basis" using the formula contained therein and, subject to Mr. Danielson's continued service with the Company. The Options Shares vest on April 20, 2015.

On August 14, 2014, the Company granted to each of Messrs. Kirkland and Sierchio 20,000 stock options. The exercise price per share is \$0.80; 10,000 options vested on the grant date and, subject to continued service as a member of the Company's Board, the remaining 10,000 options vest on August 14, 2015 and may be exercised on a "cashless basis" using the formula contained therein.

On August 14, 2014, the Company granted to Ms. Rhonda Rosen, the Company's Chief Financial Officer, 10,000 stock options. The exercise price per share is \$0.80; 5,000 options vested on the grant date and, subject to her

continued service as an executive of the Company, the remaining 5,000 options vest on August 14, 2015 and may be exercised on a “cashless basis” using the formula contained therein.

The following table summarizes stock option activity for the period ended September 30, 2014.

|   | <b>Options<br/>Outstanding</b> | <b>Weighted<br/>Average<br/>Exercise<br/>Price</b> | <b>Weighted<br/>Average<br/>Remaining<br/>Contractual<br/>Life (Years)</b> | <b>Aggregate<br/>Intrinsic<br/>Value</b> |
|---|--------------------------------|--|--|--|
| Balance<br>January 1,<br>2014           | 80,000                         | \$ 0.70  | 9.03   | \$ 40,000                                |
| Options<br>granted                      | 105,000                        | 0.93   | 9.68   | \$ 28,350                                |
| Balance<br>September<br>30, 2014        | 185,000                        | \$ 0.83  | 9.40   | \$ 68,350                                |
| Exercisable at<br>September<br>30, 2014 | 65,000                         | \$ 0.70  | 9.26   | \$ 22,500                                |

The fair value of each stock option is estimated at the date of grant using the Black-Scholes option pricing model. The weighted-average fair value of stock options granted during 2013 was approximately \$0.49 to \$0.57 per share. The weighted average fair value of stock options granted during 2014 was \$0.72 per share. 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 a 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 are presented in the table below:

|  |                 |
|--|-----------------|
| Weighted average risk-free interest rate | 1.58 – 1.62%    |
| Expected life in years                   | 5.50            |
| Weighted Avg. Expected Volatility        | 94.4% - 105.3 % |
| Expected dividend yield                  | 0%              |

During the three and nine months ended September 30, 2014, stock-based compensation expense of \$27,646 and \$47,001, respectively, was recognized as general and administrative expenses. During the three and nine months ended September 30, 2013, stock based compensation of \$8,793 and \$9,622, respectively, was recognized as general and administrative expenses. There were 65,000 stock options vested and 120,000 unvested, as of September 30, 2014. As of September 30, 2014, the Company had \$55,819 of total unrecognized compensation cost related to unvested stock options, which is expected to be recognized by April 1, 2019.

The Company issues new shares when options are exercised.

## 5. Commitments

On August 1, 2013, the Company engaged Vector to assist the Company with identifying subject matter experts in the medical device and biotechnology industries and to assist the Company with its ongoing research, development and eventual commercialization of its Regeneration Technology (collectively, the "Services"). In consideration of the Services, the Company will pay Vector a monthly consulting fee of \$5,000. The consulting agreement with Vector continues until December 31, 2014, unless earlier terminated by either party upon 5 days prior written notice.

In connection with the Company's anticipated Section 510(k) submission of its proprietary Cell Deposition Device to the Food and Drug Administration, the Company has engaged StemCell System GmbH ("StemCell Systems") to provide it with prototypes and related documents. Pursuant to this engagement the Company incurred expenses of \$26,950 and \$91,950 in the three and nine months ended September 30, 2014, respectively. The remaining payments are due prior to December 31, 2014, the exact timing of which is dependent on when the work is performed.

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 Cell Deposition Device, is a professor at the University. At September 30, 2014, \$37,500 of the amount payable to the University was recorded as other current liabilities and \$37,500 was recorded as other long term liabilities in the accompanying consolidated balance sheet.

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. Additionally, on August 14, 2014, the Company granted to each of Dr. Kirkland and Mr. Sierchio an incentive stock options to purchase up to 20,000 shares of the Company's common stock at an exercise price of \$0.85 per share, the closing price of the Company's common stock as quoted on the OTC Markets Group Inc. QB tier (the "OTCQB") on the day prior to the grant. Subject to their continued service as a member of the Board, 10,000 of the option shares vest immediately and 10,000 of the option shares vest on the first anniversary of date of grant and may be exercised on a "cashless basis" using the formula contained therein.

Effective September 30, 2013, Ms. Rosen resigned as President and Chief Executive Officer and the Company entered into an At-Will Executive Services Agreement (the "Rosen Services Agreement"), pursuant to which Ms. Rosen will serve as the Company's Chief Financial Officer. Pursuant to the Rosen Services Agreement, Ms. Rosen will provide the Company with services consistent with that of a Chief Financial Officer on a part-time basis, for which she will be paid a monthly fee of \$2,400 and will be reimbursed for any business related expenses. The Rosen Services Agreement is terminable by either the Company or Ms. Rosen upon advance written notice. On August 14, 2014, the Company granted to Ms. Rhonda Rosen, the Company's Chief Financial Officer, 10,000 stock options. The exercise price per share is \$0.80; 5,000 options vested on the grant date and, subject to her continued service as an executive of the Company, the remaining 5,000 options vested on August 14, 2015 and may be exercised on a "cashless basis" using the formula contained therein.

On November 29, 2013, the Company entered into a subscription agreement with Kalen Capital Corporation (the "Investor"), a private Alberta corporation wholly owned by Mr. Harmel S. Rayat and a majority shareholder of the Company's, pursuant to which the Investor purchased 3,500,000 Units at a purchase price of \$0.43 per Unit, for an aggregate purchase amount of \$1,505,000. Each Unit consists of: (a) one share of common stock; (b) one Series B Warrant exercisable for one share of Common Stock at an exercise price of \$0.43 per share if exercised within the first eighteen months or \$0.46 per share if exercised after the first eighteen months and prior to expiration on November 29, 2018; and (c) one Series C Warrant exercisable for one share of common stock at an exercise price of \$0.43 per share if exercised within the first eighteen months or \$0.49 per share if exercised after the first eighteen months and prior to expiration on November 29, 2018. Each of the Series B Warrant and Series C Warrant contains a provision allowing the holder to exercise the respective warrant on a cashless basis as further set forth therein. The Unit price of \$0.43 represents a 30% discount to the 20 day average closing price of the Common Stock as quoted on the OTCQB as of October 31, 2013, the last trading date prior to us entering into a non-binding term sheet with the Investor regarding the purchase of the Units.

On December 1, 2013, the Company appointed Mr. Bold as its President & CEO and entered into the Consulting Agreement with Mr. Bold. Pursuant to the terms of the Consulting Agreement, Mr. Bold is expected to serve on a part-time basis and will receive an annual fee of \$50,000, payable in 12 equal installments, which is prorated for any partial months during the term of the Consulting Agreement. In addition to Mr. Bold's fee, he was issued Option Shares to purchase up to 40,000 shares of the Company's common stock at a price of \$0.75 per share the closing price



of the Company's common stock as quoted on the OTCQB on November 29, 2013. The Options Shares may be exercised on a "cashless basis" using the formula contained therein and, subject to Mr. Bold's continued service as the Company's President and Chief Executive Officer, vest as follows, 20,000 Options Shares on: (a) December 1, 2014; and (b) December 1, 2015.

On December 31, 2013, the Company completed the sale of 100% of the issued and outstanding shares of Fostung Resources to Duke for a promissory note in the amount of \$80,000, which amount approximated the fair value of the leases and mining claims controlled by Fostung Resources, as concluded by an independent third-party geological consultant. Principal and interest at 4.0% are payable on December 31, 2015. Mr. Herdev S. Rayat, the majority shareholder of Duke, is the brother of Mr. Harmel S. Rayat, the Company's majority shareholder.

On April 1, 2014, the Company appointed Ms. Patsy Trisler as its Vice President – Clinical & Regulatory Affairs and entered into the Trisler Consulting Agreement with Ms. Trisler. Pursuant to the terms of the Trisler Consulting Agreement, Ms. Trisler will receive a monthly fee of \$5,000, which covers her services for up to 40 hours in any given month and will pay her an hourly fee of \$125 for every hour in excess of forty, prorated for any partial hour. The Consulting Agreement may be terminated at any time by either Ms. Trisler or the Company. In addition to Ms. Trisler’s fee, she was issued Option Shares to purchase up to 50,000 shares of the Company’s common stock at a price of \$1.05 per share, the closing price of the Company’s common stock as quoted on the OTCQB on March 31, 2014. The Options Shares may be exercised on a “cashless basis” using the formula contained therein and, subject to Ms. Trisler’s continued service as the Company’s Vice President – Clinical & Regulatory Affairs, vest as follows, 10,000 Options Shares on: (a) April 1, 2015; (b) April 1, 2016; (c) April 1, 2017; (d) April 1, 2018; and (e) April 1, 2019.

On April 20, 2014, the Company appointed Andrew Danielson as its Director of Business Development at an annual salary of \$60,000. In addition Mr. Danielson was issued Option Shares to purchase 5,000 shares of the Company’s common stock at a price of \$1.05 per share, the closing price of the Company’s common stock as quoted on the OTCQB on April 17, 2014. The Options Shares may be exercised on a “cashless basis” using the formula contained therein and, subject to Mr. Danielson’s continued service with the Company. The Options Shares vest on April 20, 2015.

For the three months ended September 30, 2014, directors’ and management fees, consulting fees and reimbursement of expenses incurred with respect to officers and directors of the Company were \$37,945 (2013: \$75,040). Legal fees incurred with respect to one of the Company’s directors in the three months ended September 30, 2014 were \$34,945 (2013: \$40,190). Amounts included in accounts payable and accrued expenses, and due to related parties, at September 30, 2014 were \$13,400 (2013: \$74,562).

## 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 we believe 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 on facts and factors currently known by us. Consequently, forward-looking statements are inherently subject to risks and uncertainties and actual results and outcomes may differ materially from the results and outcomes discussed in or anticipated by the forward-looking statements. When used in this document and other documents, releases and reports released by us, the words "anticipate," "believe," "estimate," "expect," "intend," "the facts suggest" and words of similar import, are intended to identify any forward-looking statements. You should not place undue reliance on these forward-looking statements. These statements reflect our current view of future events and are subject to certain risks and uncertainties as noted below. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, our actual results could differ materially

from those anticipated in these forward-looking statements. Actual events, transactions and results may materially differ from the anticipated events, transactions or results described in such statements. Although we believe that our expectations are based on reasonable assumptions, we can give no assurance that our expectations will materialize. Many factors could cause actual results to differ materially from our forward looking statements and unknown, unidentified or unpredictable factors could materially and adversely impact our future results. We undertake no obligation and do not intend to update, revise or otherwise publicly release any revisions to our forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of any unanticipated events. Several of these factors include, without limitation:

- our ability to meet requisite regulations or receive regulatory approvals in the United States, and our ability to retain any regulatory approvals that we may obtain; and the absence of adverse regulatory developments in the United States and abroad;
- new entrance of competitive products or further penetration of existing products in our markets;
- the effect on us from adverse publicity related to our products or the company itself; and
- any adverse claims relating to our intellectual property.

The safe harbor provisions of Section 21E of the Securities Exchange Act of 1934, as amended, and Section 27A of the Securities Act of 1933, as amended, apply to forward-looking statements made by us. The reader is cautioned that no statements contained in this Form 10-Q should be construed as a guarantee or assurance of future performance or results. Actual events or results may differ materially from those discussed in forward-looking statements as a result of various factors, including, without limitation, the risks described in this report and matters described in this report generally. In light of these risks and uncertainties, there can be no assurance that the forward-looking statements contained in this filing will in fact occur.

## Overview

RenovaCare, Inc. (formerly Janus Resources, Inc.) (together with its wholly owned subsidiary, “**RenovaCare**” “**the Company**” “**we**” “**us**” and “**our**”) was incorporated under the laws of the State of Nevada and has an authorized capital of 500,000,000 shares of \$0.00001 par value common stock, of which 66,575,122 shares are outstanding as of November 13, 2014, and 10,000,000 shares of \$0.0001 par value preferred stock, of which none are outstanding.

On January 7, 2014, we filed a Certificate of Amendment to Articles of Incorporation changing our name from “Janus Resources, Inc.” to “RenovaCare, Inc.” so as to more fully reflect our operations. The Financial Industry Regulatory Authority (“**FINRA**”) declared the name change effective as of January 9, 2014. In conjunction with the name change, we changed our stock symbol on the OTCQB from “JANI” to “RCAR”.

Our principal executive offices are located at 430 Park Avenue, Suite 702, New York, NY 10022. Our telephone number is (800) 755-5815.

As we are a smaller reporting company, we are not required to make certain disclosures otherwise required to be made in a Form 10-Q.

## Description of Business

We are focusing 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, we, through our wholly owned subsidiary, RenovaCare Sciences Corp., completed the acquisition of our flagship technology, a treatment methodology for skin isolation, spraying and associated equipment for the regeneration of human skin cells (the “**Cell Deposition Device**”), along with the associated United States patent applications and two (2) foreign patents, the first of which expires on August 22, 2027 and the second of which expires on April 26, 2031. We effected the acquisition of the Cell Deposition Device through an asset purchase agreement with Dr. Gerlach (the

“**APA**”). Pursuant to the terms of the APA, as amended on September 9, 2014, we paid Dr. Gerlach an initial sum of \$100,000 and are obligated to pay him an additional \$300,000 in four installments: (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. Additionally, we issued to Dr. Gerlach a Series A Warrant allowing him to purchase up to 1,200,000 shares of our common stock at a purchase price of \$0.35 per share.

The average adult human has a skin surface area of between 16 - 21 square feet, which protects all other organs against the external environment. When a person’s skin is assailed by trauma or exposed to extreme heat, the skin’s various layers may be destroyed and depending on the severity of the injury, might cause life-threatening conditions. Currently, severe trauma to the skin, such as second or third degree burns, requires surgical mesh-grafting of skin, whereby healthy skin is removed from one area of the patient’s body (a “**donor site**”) and implanted on the damaged area. While mesh grafting is often the method of choice, we believe there are significant deficiencies with this method. The surgical procedure to remove healthy skin from the donor site can be painful and leaves the patient with a new wound that must also be attended to. In many instances the aesthetic results are not satisfying, as the color of the skin from the donor site may not match the skin color of the damaged skin. Additionally, since the ratio between the size of the wound area and the size of the donor site is quite low, i.e. the size of the skin removed must be substantially equal in size to the size of the damaged skin, the mesh-grafting approach is in many cases limited. Donor and injury sites can take weeks to heal, requiring expensive hospital stays, ongoing wound dressing management, and ever-changing anti-infection strategies.

We are currently evaluating the efficacy and potential of our Cell Deposition Device, in combination with our unique cell isolation method, in the treatment of tissue that has been subject to severe trauma such as second and third degree burns. In small scale clinical trials, the Cell Deposition Device and cell isolation methodology have shown the ability to regenerate a more natural and thicker skin. The Cell Deposition Device utilizes the patient's own skin stem cells and is able to address much larger treatment areas and at the same time reduce the size of the donor site. Furthermore, we believe the Cell Deposition Device enables the effective treatment of other skin disorders with minimal scarring compared to skin grafting.

In a clinical study of 19 patients with deep dermal wound burns to the face and neck conducted in Berlin, Germany prior to our purchase of the Cell Deposition Device, researchers stated that, "careful surgical debridement and consecutive application of CEA [cultured epithelial autograft] suspensions using a spray technique results in excellent cosmetic outcomes compared with any other method." The same researchers concluded that, "We refuse to perform a prospective randomized study with groups in which traditional skin grafting and/or wound healing are still applied for the therapy for deep dermal burns due to the excellent results in our study. ***The method of CEA spray application has become our standard of care for these indications. The faster wound closure, the promotion of spontaneous wound healing by keratinocyte application, as well as the preservation of donor sites are further advantages of the method.***" (Hartmann MD, Bernd, et al, "Sprayed Cultured Epithelial Autografts for Deep Dermal Burns of the Face and Neck" *Annals of Plastic Surgery*, 58.1 (2007): 70-73. Print. ***emphasis added***). The CEA spray application used by the researchers in the publication refers to the Cell Deposition Device and related cell isolation methodology; Dr. Gerlach assisted in the study.

The development of our Cell Deposition Device is in the early stage and we anticipate that we will be required to expend significant time and resources to further develop our technology and determine whether a commercially viable product can be developed. Research and development of new technologies involves a high degree of risk and there is no assurance that our development activities will result in a commercially viable product. The long-term profitability of our operations will be, in part, directly related to the cost and success of our development programs, which may be affected by a number of factors.

### *Strategy*

Our ultimate goal is to leverage the potential of our Cell Deposition Device, together with our cell isolation method, as cutting edge treatments in skin therapy. Before we can do so, however, there are a number of steps we must first take, including:

- initiating a series of clinical trials to determine the Cell Deposition Device's efficacy for treating wounds and burns;
- expanding the range of possible applications;
- formalizing collaborations with universities and scientific partners;
- creating a network of clinical and research partners; and

· achieving Food and Drug Administration (the “**FDA**”) and other regulatory approval.

Additionally, we will likely be required to raise significant capital in order to fund our ongoing research and development operations, and there is no guarantee that we will be able to raise on acceptable terms, if at all.



**Results of Operations***Three and Nine Months Ended September 30, 2014 versus September 30, 2013*

|                                     | <b>For the Three Months<br/>Ended September 30,</b> |              |                  |                 |
|-------------------------------------|---|--------------|------------------|-----------------|
|                                     | <b>2014</b>   | <b>2013</b>  | <b>\$ change</b> | <b>% change</b> |
| Operating expenses                  |   |              |                  |                 |
| Research and development            | \$ 902,219  | \$ -         | 902,219          | 100.0           |
| General and administrative          | 373,629   | 184,862      | 188,767          | 102.1           |
| Net loss from continuing operations | (1,275,848)   | (184,862)    | 1,090,986        | 590.2           |
| Discontinued operations             |   |              |                  |                 |
| Gain (loss) on disposal of assets   | -   | -            | -                | -               |
| Loss on disposal of subsidiary      | -   | -            | -                | -               |
| Loss from discontinued operations   | -   | -            | -                | -               |
| Net loss                            | \$ (1,275,848)                                      | \$ (184,862) | (1,090,986)      | 590.2           |

|                                     | <b>For the Nine Months<br/>Ended September 30,</b> |              |                  |                 |
|-------------------------------------|--|--------------|------------------|-----------------|
|                                     | <b>2014</b>  | <b>2013</b>  | <b>\$ change</b> | <b>% change</b> |
| Operating expenses                  |  |              |                  |                 |
| Research and development            | \$ 956,719   | \$ -         | 956,719          | 100.0           |
| General and administrative          | 920,832  | 329,103      | 591,729          | 179.8           |
| Net loss from continuing operations | (1,877,551)  | (329,103)    | 1,548,448        | 470.5           |
| Discontinued operations             |  |              |                  |                 |
| Gain (loss) on disposal of assets   | -  | 49,338       | -                | -               |
| Loss from discontinued operations   | -  | 49,338       | (49,338)         | 100.0           |
| Net loss                            | \$ (1,877,551)                                     | \$ (279,765) | (1,597,786)      | 571.1           |

**Continuing Operations**

Our expenses consist primarily of research and development costs, professional fees and administrative costs. For the three months ended September 30, 2014 and 2013, research and development costs were \$902,219 and \$0,

respectively; general and administrative expenses were \$373,629 and \$184,862, respectively. The research and development costs in the third quarter related primarily to the recognition of the value of the Series A Warrant in accordance with the terms of the Amended APA. The increase in general and administrative fees in the third quarter of 2014 of \$188,767 was due primarily to a \$75,000 expense related to the charitable contribution to the University, an increase of \$61,172 in consulting expense related to Series A Warrant issued in July 2013 and to an increase in compensation expenses of \$24,329.

As a result of the foregoing, net loss from continuing operations for three months ended September 30, 2014 and 2013 was \$(1,275,848) and \$(184,862), respectively.

### *Discontinued Operations*

There was no activity in discontinued operations in the three months ended September 30, 2014 or September 30, 2013.

Net loss for the three months ended September 30, 2014 and 2013 were \$(1,275,848) and \$(184,862), respectively.

### **Liquidity and Capital Resources**

We currently finance our activities primarily by the private placement of our equity securities. There is no assurance that equity funding will be accessible to us at the times and in the amounts required to fund our ongoing operations. There are many conditions beyond our control, which have a direct bearing on the level of investor interest in the purchase of our securities. We do not have any agreements or understandings with any person as to additional financing.

At September 30, 2014, we had cash of \$889,795 (December 2013 - \$1,508,843) and working capital of \$709,970 (December 2013 - \$1,454,632). Total liabilities as of September 30, 2014 were \$436,619 (December 2013 - \$55,441).

Our consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America and applicable to a going concern, which contemplates the realization of assets and the satisfaction of liabilities and commitments in the normal course of business. As discussed in Note 1 to the consolidated financial statements, we have incurred recurring operating losses since inception of \$7.4 million. We require additional funds to meet our obligations and maintain our operations. We have sufficient working capital to (i) pay our administrative and general operating expenses through March 31, 2015, and (ii) to conduct our preliminary research and development programs. Without sufficient cash flow from operations, we may need to obtain additional funds (presumably through equity offerings and/or debt borrowing) in order, if warranted, to implement additional research and development programs on our Cell Deposition Device.

### **Cash Flow**

**Operating activities:** We used cash of \$619,048 for operating activities for the nine months ended September 30, 2014 (2013 - \$174,642). We have financed our operations through the sale of our equity securities.

**Investing Activities:** During the nine months ended September 30, 2014, there were no investing activities. During the nine months ended September 30, 2013 proceeds from the disposal of oil and gas properties was \$3,000 and cash used in the acquisition of intellectual property was \$105,854.

**Financing Activities:** Cash flows from financing activities for the nine months ended September 30, 2014 and 2013 were \$0 and \$0, respectively.

## **Dividends**

We have neither declared nor paid any dividends on its common stock. We intend to retain our earnings to finance growth and expand our operations and do not anticipate paying any dividends on our common stock in the foreseeable future.

## **Fair Value of Financial Instruments and Risks**

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair value.

The carrying value of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, and accounts payable – related parties approximate their fair value because of the short-term nature of these instruments.

Management is of the opinion that we are not exposed to significant interest or credit risks arising from these financial instruments.

## **Market Risk Disclosures**

We have not entered into derivative contracts either to hedge existing risks or for speculative purposes during or subsequent to the periods presented.

## **Off-balance Sheet Arrangements and Contractual Obligations**

We do not have any off-balance sheet arrangements or contractual obligations at September 30, 2014, and the subsequent period to November 13, 2014, that are likely to have or are reasonably likely to have a material current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that have not been disclosed in our consolidated financial statements.

**Critical Accounting Policies**

See “**Note 2. Significant Accounting Policies**” in the Notes to the Consolidated Financial Statements in this Form 10-Q.

## **Related Party Transactions**

Our proposed business raises potential conflicts of interests between certain of our officers and directors and us. Certain of our directors are employees or consultants to other companies in the healthcare industry and, to the extent that such other companies may participate in ventures in which we may participate, our directors may have a conflict of interest in negotiating and concluding terms regarding the extent of such participation. In the event that such a conflict of interest arises at a meeting of our directors, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms. Other than as indicated, we have no other procedures or mechanisms to deal with conflicts of interest. We are not aware of the existence of any conflict of interest as described herein.

Other than as disclosed below, during the three months ended September 30, 2014 and 2013, and the subsequent period, none of our current directors, officers or principal shareholders, nor any family member of the foregoing, nor, to the best of our information and belief, any of our former directors, senior officers or principal shareholders, nor any family member of such former directors, officers or principal shareholders, has or had any material interest, direct or indirect, in any transaction, or in any proposed transaction which has materially affected or will materially affect us.

During the three months ended September 30, 2014, directors' fees of \$3,000 (2013 - \$1,000) were paid to our non-officer directors.

During the three months ended September 30, 2014, legal fees of \$34,945 (2013 - \$40,190) were paid or are due to our attorney, Mr. Sierchio, who was appointed to our Board effective August 26, 2010.

## **Item 3. Quantitative and Qualitative Disclosures About Market Risk**

Not applicable.

## **Item 4. Controls and Procedures**

### **Disclosure Controls and Procedures**

At the end of the period covered by this Quarterly Report on Form 10-Q for the three month period ended September 30, 2014, an evaluation was carried out under the supervision of and with the participation of our management, including the Chief Executive Officer (“**CEO**”) and Chief Financial Officer (“**CFO**”), of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) and Rule 15d-15(e) under the Exchange Act). Based on that evaluation the CEO and the CFO have concluded that as of the end of the period covered by this report, our disclosure controls and procedures are effective in ensuring that: (i) information required to be disclosed by us in reports that it files or submits to the SEC under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in applicable rules and forms and (ii) material information required to be disclosed in our reports filed under the Exchange Act is accumulated and communicated to our management, including our CEO and CFO, as appropriate, to allow for accurate and timely decisions regarding required disclosure.

### **Changes in Internal Control over Financial Reporting**

During the period covered by this report, there were no changes to internal control over financial reporting that materially affected or are reasonably likely to materially affect our internal control over financial reporting.



**PART II – OTHER INFORMATION**

**Item 1. Legal Proceedings**

None

**Item 1A. Risk Factors**

Smaller reporting companies are not required to provide the information required by this item.

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

None

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**Item 6. Exhibits****Exhibit Index**

| <b>Exhibit No.</b> | <b>Description of Exhibit</b>  |
|--------------------|--|
| 3.1                | Articles of incorporation (Incorporated by reference to Exhibit 3.1 of the Form S-8 filed on October 3, 2003).   |
| 3.2                | Articles of Incorporation, as amended (Incorporated by reference to the Form 8-K filed on January 10, 2011).   |
| 3.3                | Articles of Incorporation, as amended (Incorporated by reference to the Form 8-K filed on January 10, 2014).   |
| 3.4                | Bylaws (Incorporated by reference to Exhibit 3.2 of the Form S-8 filed on October 3, 2003).  |
| 10.1               | Post-Closing Amendment to Asset Purchase Agreement dated as of September 9, 2014, between RenovaCare, Inc., RenovaCare Sciences Corp. and Jorg Gerlach, MD, PhD (Incorporated by reference to the Form 8-K filed on September 15, 2014). |
| 31.1               | Certification of Principal Executive Officer Pursuant to Rule 13a-14 of the Securities Exchange Act of 1934, As Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*  |
| 31.2               | Certification of Principal Financial Officer Pursuant to Rule 13a-14 of the Securities Exchange Act of 1934, As Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*  |
| 32.1               | Certification of Principal Executive Officer and Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*  |
| 101.INS            | XBRL Instance Document**   |
| 101.SCH            | XBRL Taxonomy Extension - Schema Document**  |
| 101.CAL            | XBRL Taxonomy Extension - Calculation Linkbase Document**  |
| 101.DEF            | XBRL Taxonomy Extension - Definition Linkbase Document**   |
| 101.LAB            | XBRL Taxonomy Extension - Label Linkbase Document**  |
| 101.PRE            | XBRL Taxonomy Extension - Presentation Linkbase Document**   |

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\* Filed herewith.

\*\* Furnished herewith. XBRL (eXtensible Business Reporting Language) information is furnished and not filed or a part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as

amended, is deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise is not subject to liability under these sections.

**SIGNATURES**

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

**RenovaCare, Inc.**

(Registrant)

Date: November 13, 2014

By: */s/ Rhonda B. Rosen*  
Name: Rhonda B. Rosen  
Title: Chief Financial Officer  
(Principal Financial Officer)

Date: November 13, 2014

By: */s/ Thomas Bold*  
Name: Thomas Bold  
Title: Chief Executive Officer  
(Principal Executive Officer)