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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-K

(Mark One)

☑ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2019
OR

☐ **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 0-53944

REGO PAYMENT ARCHITECTURES, INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware	**35-2327649**
(State or Other Jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification No.)**
325 Sentry Parkway, Suite 200 **Blue Bell, PA**	**19422**
(Address of Principal Executive Offices)	**(Zip Code)**

(267) 465-7530
(Registrant's Telephone Number, Including Area Code)

18327 Gridley Road, Suite K Cerritos, CA 90703
(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol(s)	Name of Each Exchange on Which Registered
None		

Securities registered pursuant to Section 12(g) of the Act:

Common Stock, $0.0001 par value

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ or No ☑

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ or No ☑

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 ☑ or No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files). Yes ☑ or No ☐

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

Large accelerated filer ☐	Accelerated filer ☐
Non-accelerated filer ☐	Smaller reporting company ☒
	Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

The aggregate market value of the common stock held by non-affiliates of the registrant was $15,825,946 as of June 30, 2019 based on the price in which the common stock of the registrant was last sold as reported by the OTC Bulletin Board. Shares of common stock held by each current executive officer and director and by each person who is known by the registrant to own 5% or more of the outstanding common stock have been excluded from this computation in that such persons may be deemed to be affiliates of the registrant. This determination of affiliate status is not a conclusive determination for other purposes.

We had 119,596,866 shares of common stock outstanding as of the close of business on March 30, 2020.

DOCUMENTS INCORPORATED BY REFERENCE

NONE

REGO PAYMENT ARCHITECTURES, INC.

FORM 10-K ANNUAL REPORT
Year Ended December 31, 2019

PART I

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This report contains “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). All statements other than statements of historical fact included or incorporated by reference in this annual report on Form 10-K, including without limitation, statements regarding our future financial position, business strategy, budgets, projected revenues, projected costs and plans and objectives of management for future operations, are forward-looking statements. Forward-looking statements generally can be identified by the use of forward-looking terminology such as “may,” “will,” “expects,” “intends,” “plans,” “projects,” “estimates,” “anticipates,” or “believes” or the negative thereof or any variation thereon or similar terminology or expressions. We have based these forward-looking statements on our current expectations and projections about future events. These forward-looking statements are not guarantees and are subject to known and unknown risks, uncertainties and assumptions about us that may cause our actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by such forward-looking statements. Important factors that could cause actual results to differ materially from our expectations include, but are not limited to: our ability to raise additional capital, our limited revenues generated to date, our ability to attract and retain qualified personnel, our dependence on third party developers who we cannot control, our ability to develop and introduce a new service to the market in a timely manner, market acceptance of our services, our limited experience in a relatively new industry, the ability to successfully develop licensing programs and generate business, rapid technological change in relevant markets, unexpected network interruptions or security breaches, the pending COVID-19 pandemic, changes in demand for current and future intellectual property rights, legislative, regulatory and competitive developments, intense competition with larger companies, general economic conditions, and other factors set forth under “Item 1A — Risk Factors” below. Except as required by law, we assume no duty to update or revise our forward-looking statements.

ITEM 1. BUSINESS.

General Development

Rego Payment Architectures, Inc. (the “Company,” “we”, or “us”) was incorporated in Delaware on February 11, 2008 under the name Chimera International Group, Inc. On April 4, 2008, we amended our certificate of incorporation and changed our name to Moggle, Inc. On August 22, 2011, we filed a Certificate of Ownership with the Secretary of State of Delaware, pursuant to which the Company’s newly-formed wholly-owned subsidiary, Virtual Piggy Incorporated was merged into and with the Company (the “Merger”). In connection with the Merger and in accordance with Section 253 of the Delaware General Corporation Law, the name of the Company was changed from “Moggle, Inc.” to “Virtual Piggy, Inc.” On February 28, 2017, we amended our certificate of incorporation and changed our name to Rego Payment Architectures, Inc. Our principal offices are located at 325 Sentry Parkway, Suite 200, Blue Bell , PA 19422 and our telephone number is (267) 465-7530.

As of the date of this report, we have not generated significant revenues. Our initial business plan was to develop an online game platform to allow game companies to create, monetize and distribute massive multiplayer online games (MMOG). The Company technology was the monetization component of this overall software platform (our “Platform”). During 2010, we analyzed the market potential for an expanded Company solution and decided to concentrate our efforts on the delivery of a full-featured Company solution that was not restricted to online gaming. The expanded Company solution is designed to provide a complete online solution for families and parents to teach their children about financial management and spending on gaming, retail, music and entertainment. In late 2013, we rebranded our Company product under the name “Oink®”. In March 2016, we discontinued our prior Oink product offering.

Our focus is monetizing the Platform in the FinTech industry through technology licensing and similar partnerships. We are focused on building and improving the existing Platform and App that will act as the foundation for the strategic alignment with the Financial Technology (“FinTech”) industry. The FinTech industry is composed primarily of startup companies that use software to provide financial services more efficiently and less costly than traditional financial service companies. With our Children’s Online Privacy Protection Act (“COPPA”) and GDPRkids™ Trustmark compliant technology as an added feature, we believe we may have better market success.

Overview

We are a technology company that will deliver an online and mobile payment platform solution for the family. Our system allows parents and their children to manage, allocate funds, track their expenditures, savings and charitable giving on both a mobile device and online through our web portal. Our system is designed to allow a minor to transact both online and in traditional brick and mortar retail outlets using the telephone handset as a payment device. The new payment platform automatically monitors regulatory compliance in real-time for all transactions; including protection of vendors from unintended regulatory infractions. In addition utilizing the same architecture we allow individual parents to create a contract with each child that sets the rules and parameters of how the child may use the mobile payment system with as much or as little parental oversight as the parent determines is necessary. In addition, we are including specialized technology that increases and improves the security of the system and protects the user's identity while in use.

COPPA applies not only to websites and mobile apps. It can apply to a growing list of connected devices that is included in the Internet of Things. Some of these include toys and products that could collect personal information, such as voice recordings or geolocation information.

Management believes that building on its COPPA advantage that the future of Rego Payment Architectures, Inc. will be based on the foundational architecture of the Platform that will allow its use across multiple financial markets where secure controlled payments are needed. The Company will license in each alternative field of use the ability for its partners, distributors and/or value added resellers to private label each of the alternative markets. These partners will deploy, customize and support each implementation under their own label, but with acknowledgement of the Company's proprietary intellectual assets as the base technology. Management believes this approach will enable the Company to reduce expenses while broadening its reach.

Further, California passed the California Consumer Privacy Act of 2018 ("CCPA") on June 28, 2018. CCPA gives consumers (defined as natural citizens who are California residents) four rights relative to their personal information as follows:

- the right to know, through a general privacy policy and with more specifics available upon request, what personal information a business has collected about them, where it was sourced from, what it is being used for, whether it is being disclosed or sold, and to whom it is being disclosed or sold;
- the right to "opt out" of allowing a business to sell their personal information to third parties (or, for consumers who are under 16 years old, the right not to have their personal information sold absent their, or their parent's, opt-in);
- the right to have a business delete their personal information, with some exceptions; and
- the right to receive equal service and pricing from a business, even if they exercise their privacy rights under the Act.

With respect to the evolving CCPA, the Company is designing its Platform and apps to be in compliance.

Additionally, the European Parliament and Council agreed upon the General Data Protection Regulation ("GDPR") in April 2016, to replace the Data Protection Directive 95/46/ec. This is the primary law regulating how companies proctect European Union ("EU") citizens' personal data. GDPR became effective on May 25, 2018. Companies that fail to achieve GDPR compliance are subject to severe fines and penalties.

GDPR requirements apply to each member state of the European Union, aiming to create more consistent protection of consumer and personal data across EU nations. Some of the key privacy and data protection requirements of the GDPR include:

- Requiring the consent of subjects for data processing
- Anonymizing collected data to protect privacy

- Providing data breach notifications
- Safely handling the transfer of data across borders
- Requiring certain companies to appoint a data protection officer to oversee GDPR compliance

In short, the handling of EU citizens' data is mandated by GDPR using a baseline set of standards for companies that are designed to better safeguard the processing and movement of personal data. The Company has designed its Platform and apps to be in compliance with GDPR, and has received the GDPRkids™ Trustmark from PRIVO.

Revenues generated from the platform will come from multiple sources depending on the level of service and facilities requested by the parent. There will be levels of subscription revenue paid monthly, service fees, transaction fees and in some cases revenue sharing with banking and distribution partners.

In addition, the team is analyzing specific components of our technology for individual monetization as well as exploring opportunities in the Business to Business ("B2B") realm. The new architecture lends itself to provide closed network capability that allow B2B transactions outside of the traditional payment processing interchange services. This reduces the cost of transacting between businesses. Businesses that join the B2B will be able to perform instant settlements of transactions at lower fees than traditional services.

Industry Background

In 2019, it was estimated that 32% of the world's population, estimated at 7.7 billion, or approximately 2.5 billion people were under age 18. This is primarily Generation Z ("Gen Z"), those born between 1997 and 2015, and after the millennials most of whom are currently under the age of 18 and are characterized by growing up in a highly sophisticated media and computer environment with greater internet savvy than any previous generation. They have been coined with the names "True Gen," the "iGeneration," and "Homelanders." The spending for Gen Z is estimated at $143 billion per year, while it is estimated that Gen Z influences $600 billion in family spending per year.

40% of all US consumers fall in the Gen Z age group. It is estimated that Gen Z controls $44 billion of buying power in the US. By 2030, they are expected to make up approximately 30% of the US workforce.

They use the mobile internet more than any other generation on a daily basis. Studies have shown that Gen Z spends 11 hours per week on their mobile phones and 55% of Gen Z admit that they use their smartphones for 5 or more hours per day. They are online for 10 or more hours per day with the use of smartphones, tablets, laptops, desktops and TV's. Gen Z are 2 times more likely to shop online than millenials.

Because there is no direct financial solution for this group, they still use either cash or their parent's funding source (credit card) and hence there is still a lack of quantification of the dollar size of the children's "spending" market, which is separate from the dollars spent on children. Marketers and regulators have taken note of the change and made a shift to a more "digital" approach to their overall strategy. Additionally, children's access to increasingly available technology has fueled concerns about security, safety and compliance with government regulations. As children march toward adulthood, parents are providing the means for children to have products (money), and technology and providing them the increasingly easy opportunity to do so.

With Gen Z in mind, the Company is focusing on the FinTech industry. This industry uses computer progams and other technology to support or enable banking and financial services. The Fintech industry was set to disrupt $4.7 trillion worth of global financial services, according to Goldman Sachs in 2015. Nearly a third of worldwide consumers use two or more financial technology services.

In 2019 FinTech funding amounted to $34.5 billion. This was less than the funding for the year 2018 total of $40.0 billion, which is a result of reduced early-stage FinTech investing as the industry matures.

The FinTech companies are not restricted to the same degree by regulatory compliance nor antiquated systems with which the established financial services companies contend, although governments at all levels are increasing their interest in the industry. These companies can concentrate on single purpose solutions, which are designed to enhance the user's experience. The innovations taking place can be summarized in four categories:

1. Peer-to-Peer ("P2P") value exchanges – Growth of applications has been stimulated by the popularity and use of social networks.

2. Applications with machine intelligence – Automation becoming a necessity in the do-it-yourself environment.

3. Data-driven services – The ability to access data and data analytics are leading to more individualized products and lower pricing of financial services.

4. Less definition between physical and virtual worlds – People are using financial services more in the virtual arena than in visiting physical locations.

Digital-only banking is here and growing. These banks offer virtual global payments, P2P transfers and opportunities to buy and exchange Bitcoin and other cryptocurrencies.

Blockchain is also having a substantial impact on global finance. There are currently 40 million adopters of blockchain wallets, whereas in 2016 there were only 11 million.

Artificial intelligence ("AI") is projected to reduce bank operating costs by 22% by the year 2030. This could mean savings of approximately $1 trillion. AI in the banking industry is well positioned to combat cybercrimes and financial fraud. Customer service in financial institutions is now being conducted AI chatbots and other smart systems.

Mobile payments were expected to be $1 trillion in 2019. In 2018, the people using contactless payments numbered 440 million, which is expected to grow to 760 million by the end of 2020. In 2019, there were approximately 2.1 billion mobile wallet users.

With this as a backdrop, Rego Payment Architectures, Inc. has identified an emerging need to market a financial platform that provides this generation with an alternative solution to traditional banking and solves current limitations on their ability to safely transact using mobile payment solutions for both brick & mortar retail outlets and online shopping.

The Company's Relationship to the Children's Online Privacy Protection Act

Though the Company does not target or collect the personal information of the under 13 age group, and rather targets parents and families as a whole, the products must still be compliant with COPPA. The new products will meet the requirements imposed by COPPA, including the recent amendments. The Company has gone further than dealing with the federal rules by mapping all state by state statutes and regulations that deviate from the federal laws and thus have a complete inter-state commerce view of the regulations that assure compliance for all participants in the system.

To be compliant the Company has renewed its COPPA certification and has received the GDPRkids™ Trustmark from PRIVO. PRIVO is an online privacy compliance company and with the certification and Trustmark the Company has joined Privo's Kids Privacy Assured Program, which helps companies navigate the online privacy landscape from COPPA and GDPR to the numerous student digital privacy laws, in addition to offering compliant technology solutions that include youth registration, age verification, parental consent and account management.

Other Consumer Privacy Protection Legislation

The Federal Trade Commission ("FTC") has been very active, since as far back as 2003, in penalizing companies for non-compliance with privacy promises, with COPPA at the core of the settlements. Possible penalites under COPPA provide for civil penalties of $42,350 per violation, however, the FTC considers many factors when levying penalties. Among these are the ability of the company to stay in business after the penalty is imposed. Google and YouTube paid a record $170 million in 2019 to settle civil penalties brought by the FTC. Musical.ly (TikTok) agreed to a settlement of $5.7 million in February 2019. TechCrunch's Verizon-owned parent, Oath, created from the merging of AOL and Yahoo, has agreed to pay approximately $5 million for violating COPPA in December 2018. The New York Attorney General has targeted Viacom, Mattel, JumpStart and Hasbro for investigations related to COPPA compliance issues.

Twenty-five privacy regulators took part in the fourth annual Global Privacy Enforcement Network ("GPEN") privacy sweep from April 11-15, 2016. Participants selected over 300 Internet of Things (IoT) devices or sectors and evaluated their respective privacy polices based on a common set of indicators including the collection, use, and storage of data, and how easily a user can delete their personal data. Devices analyzed included smart meters, cars, televisions, fitness wearables, and connected medical devices. Overall, devices analyzed collect a large amount of personal data, but privacy policies were generally not device-specific. This means that users are often not informed about exactly what personal information is collected by the device. Only a minority of companies examined demonstrated good privacy practices. The study showed that six in ten "Internet of Things" devices do not properly tell customers how their personal information is being used.

A number of foreign governments also have either adopted or are considering data privacy and security regulations. For example, the EU has adopted GDPR, as was previously discussed. The Company's initial target is the U.S. However, the Company has been performing research on compliance issues in European countries and is expanding its focus into the European market. With the GDPR Trustmark the Company is positioned to rapidly adapt to these new markets.

The Opportunity

Gen Z, the core target user of our mobile payment Platform.

As consumers, Gen Z has deep pockets, but lacks direct access to funds.

Their spending power is significant and growing. This will has made them the largest generation of consumers. Gen Z has a combined buying power of $143 billion in direct spending. Over 70% of Gen Z say they influence family decisions around furniture, household goods, food and beverages purchases. They are 2 times more likely to shop on mobile devices than Millennials.

Social and digital learning is key to Gen Z.

85% of Gen Z uses social media to learn about new products.

Gen Z's financial future and global impact has yet to be written.

While 60% of Gen Z say 'a lot of money' is a sign of success and 72% of Gen Z want to start a business one day, the details of how to make smart choices about money are not being shared. In 2019, 20 states had enacted legislation or adopted resolutions regarding financial literacy and financial education issues. Gen Z is primed for deep engagement around future-focused payments solutions, but the conversation and learning and introduction of new financial technologies for this generation must occur within an experience that complements their values, interests and goals. To this end, the financial literacy facilities built within the system target both the parent and the child. These built in guidelines will prepare children for the financial responsibilities they will have in the future and prepare them for the emerging digital economy.

Our Solution

Our goal, moving forward is to enable both incumbent and new FinTech participants, as well as key verticals with a large base of 'family accounts,' to provide their consumers with safe and empowering youth money management and financial literacy content and tools via the mobile payment platform.

While some of the Rego Platform can be easily duplicated/commoditized, ie. the app skin, APIs to retailers, APIs to financial infrastructure and cloud storage, we believe that defending our market position rests on three factors:

1. The ability to define data control settings from parent to child.

   Our approach to this opportunity uses a master account to dictate purchase rules to sub-accounts via a hierarchical architecture. This approach adheres to data flow and privacy policy requirements specifically outlined for COPPA compliance. We believe other approaches based on machine learning, or other artificial intelligence methodologies are potentially viable alternatives but are likely too costly, do not meet current compliance timelines, and may defy the core of COPPA's "opt-in" parameters. There is considerable room for next-generation automation techniques to be layered on Rego's hierarchical approach. Given its current stability and scalability metrics, the Rego Platform strongly features these advances in its technical development roadmap without compromising any of its current data control performance.

2. The ability to (mis)attribute the child's transaction and personal identification.

   Rego has solved this issue by masking user data and maintaining separate identity and financial data flows. As a result, Rego can verify the age of the internet user throught the transaction lifecycle on its Platform. Authenticating and validating the identity of the actual user on the internet maintains one of the more difficult cybersecurity challenges. Current approaches are mainly not for commercial use; however, there is investment in commercial innovation in this area. Rego's data control features and its (mis)attribution approach are inextricably linked and a key to its scalability and extensibility.

3. The ability to disseminate transactional data on minors while remaining COPPA and GDPR compliant.

   The highest value data will be that which shows the most nuanced detail afforded under current regulations. Without extreme data control features, such as in the Rego Platform, any lesser data precision will be less valuable.

These three factors are all supported by Rego's patented technology.

Currently, we are targeting established brands with large family-focused account bases — including banks, telecommunication companies, faith-based organizations, media distributors, mobile device Original Equipment Manufacturers ("OEMs"), and merchants.

We are seeking partners to will leverage our Platform to:

Buy vs. Build: Partners can license for their specific market or field of use a safe, compliant system, instead of building one on their own.

Safety & Security: Partners can safely engage a younger consumer segment and their families with a new family friendly peer to peer payments approach. Vendors will be explicitly protected from non-compliant transactions and the underlying technology protects the privacy of the user.

Youth Financial Literacy: Partners can expand their brand story around empowerment and education of youth financial literacy while engaging their 'future customers' with Gen Z, a digital native population of post-millennial youth.

The Rego mobile payment platform and associated digital wallet technology is designed to enable our partners to engage families with Gen Z through the leading money management, transactional and financial literacy platform that enables young people to make smart decisions about the things they value in life — including their money, their time, their ideas and their connections. The new platform will enable a new way for individual users to own and monetize their purchasing behavior that is currently unavailable to them.

In addition, we are analyzing specific components of our technology for individual monetization as well as exploring opportunities in the Business to Business ("B2B") realm.

Other markets for potential licensed applications are:

Government social services payments where control over how benefits allowances are used is required. This is particularly necessary in some European countries where social benefits are not being used as intended by the government or where benefits are subject to fraud.

Closed network consumer to business (C2B) and business to business (B2B). An example is school lunch programs where the consumer can make direct mobile payments to the provider's point of sale (POS) terminal without the need to traverse the traditional merchant payment system. This reduces the cost per transaction for the vendor and provides instant non-repudiated settlement. Many school lunch programs are now provided by large catering companies. This is particularly valuable as credit card fees, transaction fees and service fees can exceed 3% in overhead costs per transaction dependent on the negotiated rate. Removing this overhead can have significant positive financial impact on profitably. It also allows the closed network to own its own behavioral use data thus obviating the need to pay a third party for the same data.

Our Intellectual Property

Intellectual property is important to our business. The Company has four issued patents with the United States Patent and Trademark Office ("USPTO"), entitled "Parent Match," "System and Method for Verifying the Age of an Internet User," "System and Method for Virtual Piggy Bank Wish-List" and "System and Method for Virtual Piggy Bank." The Company has filed for one provisional U.S. patent application, as well as twelve non-provisional U.S. patent applications, one of which is pending, four of which have been allowed, and seven of which have been abandoned. Additionally, the Company has been granted two patents, entitled "Virtual Piggy Bank" and "Parent Match," in each of Germany, Canada, and Australia. The Company also has patents pending in the Republic of Korea under the Patent Cooperation Treaty ("PCT"). Costs associated with the registration and legal defense of the patents have been capitalized and are amortized on a straight-line basis over the estimated lives of the patents.

The following are the names and brief descriptions of certain of our applications:

Parent Match. A method of providing control preferences set by a person for a second person who is a prospective Internet user, the method comprising the steps of establishing a first account, the settings of the first account being stored in a database; establishing a second account, the settings of the second account being stored in the database; linking the first and second accounts such that control settings of the second account are determined through the first account; and viewing Internet content from the second account consistent with the control settings of the second account.

System and Method for Virtual Piggy Bank. A method of providing control preferences for a prospective Internet user, the method comprising the steps of establishing a first account, the settings of the first account being stored in a database; establishing a second account, the settings of the second account being stored in the database; linking the first and second accounts such that control settings of the second account are determined through the first account; and making a purchase from the second account consistent with the control settings of the second account.

System and Method for Verifying the Age of an Internet User. A system and method of verifying the age of a prospective internet user, the method comprising creating an age check account with a service requester; activating the age check system through the account; inputting into the age check system a user's information; checking user's information by age check system; and notifying service requester of checked user's information by the age check system.

System and Method for Virtual Piggybank Wish-List. A non-transitory computer-readable storage medium, storing one or more programs configured for execution, the one or more programs for monitoring, transmitting, and recording usage of a computer or mobile device connected to a network, the one or more programs including instructions for establishing a first account, the settings of the first account being stored in a database; establishing a second account, the settings of the second account being stored in the database, wherein the second account includes a wish-list; linking the first and second accounts such that control settings of the second account are determined through the first account; and making a purchase from the wish-list of the second account consistent with the control settings of the second account.

Until such time as the remaining pending patents are awarded, if ever, we intend to also rely on trade secret protection and/or confidentiality agreements with our employees, customers, business partners and others to protect our intellectual property rights.

Furthermore, we have filed trademark applications pertaining to our service with the USPTO, the European Community, and Canada. The USPTO has already granted us service mark registrations for Oink, Oink (stylized), PiggyPick, Virtual Piggy, Virtual Piggy and design (horizontal), the PIG design, Parent Match, Quickconnect, Virtual Piggy Youth Empowered Parent Approved and Design, Youth Empowered. Parent Approved, and Oink.com. The European Community has already granted us registration for Virtual Piggy, Virtual Piggy and Design, Virtual Piggy Youth Empowered Parent Approved and Design, PiggyPick, Wishlist Wednesday, the PIG design, and the PIG design (alternative). The Canadian Intellectual Property Office has already granted the registration for VP Authenticate.

Despite certain precautions taken by us, it may be possible for third parties to obtain and use our intellectual property without authorization. This risk may be increased due to the lack of patent and/or copyright protection. If any of our proprietary rights are misappropriated or we are forced to defend our intellectual property rights, we will have to incur substantial costs. Such litigation could result in substantial costs and diversion of our resources, including diverting the time and effort of our senior management, and could disrupt our business, as well as have a material adverse effect on our business, prospects, financial condition and results of operations. Management will from time to time determine whether applying for and pursuing patent and copyright protection is appropriate for us. We have no guarantee that any applications will be granted or, if awarded, whether they will offer us any meaningful protection from other companies in our business, or that we will have the financial resources to oppose any actual or threatened infringement by any third party. Furthermore, any patent or copyrights that we may be granted may be held by a court to infringe on the intellectual property rights of others and subject us to the payment of damage awards.

In addition, we cannot be certain that our technology will not infringe upon patents, copyrights or other intellectual property rights held by third parties. While we know of no basis for any claims of this type, the existence of and ownership of intellectual property can be difficult to verify and we have not made an exhaustive search of all patent filings. We may become subject to legal proceedings and claims from time to time relating to the intellectual property of others in the ordinary course of our business. If we are found to have violated the intellectual property rights of others, we may be enjoined from using such intellectual property, and we may incur licensing fees or be forced to develop alternative technology or obtain other licenses. In addition, we may incur substantial expenses in defending against these third party infringement claims and be diverted from devoting time to our business and operational issues, regardless of the merits of any such claim.

Research and Development

During 2019 and 2018, our research and product development expenses were approximately $0.2 million and $0.9 million, all of which were borne by us.

Our Revenue Model

Our ability to generate and grow revenue is affected by consumer spending patterns, merchants and consumer adoption of digital payment methods. We are relying on the the growth of mobile devices and the applications that will be used by merchants and consumers on those devices, and the transition from cash and checks to digital forms of payment, including cryptocurrencies. Our strategy to drive revenue in our business includes the following:

- Utilize our COPPA compliant platform to capitalize on mobile device applications
- License our technology for use with compatible technologies focusing on digital forms of payment
- Utilize the blockchain component of the platform in conjunction with cryptocurrencies

As of the date of this report, we have not generated significant revenue. Our previous revenues were generated by taking a small percentage of every transaction from an online merchant. We had been outsourcing some of our engineers to assist with developing technology for another company that we believe will utilize our technology. Until now these were our only revenue sources. As we proceed through 2020, we expect to seek additional revenue streams as follows:

- Private labeling licenses for: particular phones, telecommunication vendors, distributors, and value added resellers (VAR).

- User Subscription fees based on premium services.

- Transaction and processing fees for both closed and open network transactions.

- Special services fees for ad hoc special requests.

- Data analytics sales – using algorithms to analyze use data for sale to data brokers (meta data).

- Advertising revenue – for context based push messaging to subscribers

- Shared transaction revenue or rebates from banking partners

Our Plan of Operation

A phased approach to the introduction of our improved Platform is planned.

We plan to launch our branding platform in the third quarter of 2020, however, this is dependent on our ability to generate renewed capital investment for working capital and to sustain operations. The Company will also seek to enter into strategic partnerships where the strategic partner will provide development capital for special purpose customization or equity where appropriate.

Sales and Marketing Strategy

In 2020, we are focusing on onboarding established brands with large family-focused account bases that would enable us to co-brand our platform and reach the Gen Z population through the FinTech industry, telecommunications businesses and global consulting organizations. The Company maintains its view that these channels are most likely to provide rapid adoption of its technology across a broader industry segment.

Seasonality

Our new model should not be subject to seasonality.

Competition

There is a continuous introduction of new entrants into the market and the development of new technologies and product offerings in the global payments industry which is already highly competitive. Although payment services such as PayPal, Amex Bluebird, FamZoo and Visa Buxx can be viewed as our competitors, we do not believe that these provide the type of family friendly solution that not only teaches young people about saving, spending, and giving, that is also compliant with COPPA and other laws that users of all ages need to be aware of, including but not limited to privacy, data collection, and security. Like them, however, we will compete against many companies that are larger than we are in a wide range of businesses, including banks, credit card providers, technology and ecommerce companies and traditional retailers. These businesses offer other products and services that we do not offer and have been in the industry much longer than we have. We will compete against various forms of payment methods including cash and checks, credit and debit cards, automated clearing house, mobile payments and other online payment services.

We believe we have built and continue to build a financial solution that is not only good for the youth market, but one that will be requested by them over other products. To compete effectively, we expect that we will focus a majority of our 2020 resources on technology and product development.

Government Regulation

The industry which we serve is subject to regulation by the FTC, laws such as COPPA, and other laws relating to collection, use, retention, and security. Complying with these varying U.S. and international requirements, such as GDPR, could cause us to incur substantial costs or require us to change our business practices in a manner adverse to our business. In addition, we have and post on our websites our own privacy policies and practices concerning the collection, use and disclosure of user data. Any failure, or perceived failure, by us to comply with our posted privacy policies or with any regulatory requirements or orders or other federal, state or international privacy or consumer protection-related laws and regulations could result in proceedings or actions against us by governmental entities or others, subject us to significant penalties and negative publicity and adversely affect us. In addition, we are subject to the possibility of security breaches, which themselves may result in a violation of these laws.

The Company has added preventative measures to reduce the risk of non-compliance and security breaches. However, as the Company utilizes third party infrastructure, the risk of security breaches cannot be guaranteed but the Company has performed reasonable efforts to mitigate risk.

Employees

As of December 31, 2019, we had 4 employees, who were working in the areas of marketing, programming and product development, web development, finance and administration. None of our employees are represented by a union or covered by a collective bargaining agreement. We believe that our relations with our employees are good.

Company Information

Our website can be found on the Internet at www.regopayments.com. The website contains information about the Company and our operations, however, the contents of our website are not incorporated into this Form 10-K. We make available free of charge through a link on our website our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, and Current Reports on Form 8-K, and amendments to these reports, as soon as we electronically file such material with, or furnish such material to, the Securities and Exchange Commission (SEC). These reports may be accessed on our website by following the link under Investor and then clicking on SEC filings.

ITEM 1A. RISK FACTORS.

An investment in our common stock involves a high degree of risk. You should carefully consider the following risk factors in addition to other information in this Annual Report on Form 10-K before purchasing our common stock. The risks and uncertainties described below are those that we currently deem to be material and that we believe are specific to our company and our industry. In addition to these risks, our business may be subject to risks currently unknown to us. If any of these or other risks actually occurs, our business may be adversely affected, the trading price of our common stock may decline, and you may lose all or part of your investment.

RISKS RELATED TO OUR BUSINESS

We have a history of losses, have yet to begin generating significant revenue, will require additional capital, and our auditors have raised substantial doubt about our ability to continue as a going concern.

We have experienced net losses in each fiscal year since our inception and as of December 31, 2019, have an accumulated deficit of approximately $83.1 million. We incurred net losses to common shareholders of approximately $4.3 million during the year ended December 31, 2019 and approximately $7.0 million during the year ended December 31, 2018. As of May 27, 2020 we had a cash position of approximately $195,000. Depending on the speed at which we begin to generate revenue, and to the degree we continue to accelerate spending to take advantage of our market opportunity, we will need additional capital to execute our business plan. As a result of these conditions, the report of our independent accountants issued in connection with the audit of our financial statements as of and for our fiscal year ended December 31, 2019 contained a qualification raising a substantial doubt about our ability to continue as a going concern.

Our business, results of operations and financial condition may be adversely affected by public health epidemics, including the coronavirus reported to have originated in Wuhan, China.

Our business, results of operations and financial condition may be adversely affected if a public health epidemic, including the coronavirus reported to have originated in Wuhan, China, interferes with the ability of us, our employees, workers, contractors, suppliers, customers and other business partners to perform our and their respective responsibilities and obligations relative to the conduct of our business. We have been working internationally to promote our product and internationally and domestically to raise funds to execute our business plan. With the current restrictions on travel this has impeded our progress in both areas. If we cannot raise funds when they are needed or if such funds cannot be obtained on acceptable terms, we may not be able to (a) pay our costs and expenses as they are incurred, (b) execute our business plan, (c) take advantage of future opportunities, or (d) respond to competitive pressures or unanticipated requirements, which may in the extreme case, require us to liquidate the Company. This may seriously harm our business, financial condition and results of operations.

In order to execute our business plan and pay expenses in connection with unforeseen events, we will need to raise additional capital, which may not be available on terms acceptable to us, if at all.

In order to execute our current business plan, we will need to raise additional capital. The amount of funding required will be determined by many factors, some of which are beyond our control, and we may require such funds sooner than currently anticipated or to cover unforeseen expenses. We expect that any such funding would be raised through sales of our debt or equity securities. When raising additional funding, general market conditions or the then-current market price of our common stock may not support capital raising transactions. We have not made arrangements to obtain additional financing and we can provide no assurance that additional financing will be available in an amount or on terms acceptable to us, if at all. If we cannot raise funds when they are needed or if such funds cannot be obtained on acceptable terms, we may not be able to (a) pay our costs and expenses as they are incurred, (b) execute our business plan, (c) take advantage of future opportunities, or (d) respond to competitive pressures or unanticipated requirements, which may in the extreme case, require us to liquidate the Company. This may seriously harm our business, financial condition and results of operations.

We are essentially a start-up company with an unproven business model which makes it difficult to evaluate our current business and future prospects.

We are essentially a start-up company introducing new services and technologies. We are completing the development part of our enhanced Platform, however, we have not generated significant revenue. We expect to generate all of our future revenues from the development and marketing of our COPPA compliant payment solution Platform to financial institutions and merchants. However, we have only a very limited operating history and have not generated significant revenue upon which to base an evaluation of our current business and future prospects. Although our management team has substantial experience in developing and managing businesses, they have never developed or offered such a technology and there can be no assurance that we will be able to successfully develop and market such a technology. If we are unable to fully develop and commercialize our Platform, or manage other challenges facing development stage companies, such as raising additional capital, managing existing and expanding operations, and hiring qualified personnel, we may continue to be unprofitable or, in the extreme case, be forced to cease operations. Before purchasing our common stock, you should consider an investment in our common stock in light of the risks, uncertainties and difficulties frequently encountered by early stage companies in new and evolving markets such as ours, including those described herein. We may not be able to successfully address any or all of these risks. Failure to adequately address such risks would have a material adverse effect on our financial condition and results of operation and could cause our business to fail.

Our management has limited experience in our relatively new industry, which may make it difficult for you to evaluate our business prospects.

Our senior management does not have direct experience in the online payment or retailing industries. There can be no assurance that our management team will be successful in working together to develop and market our Platform. In addition, the online payment industry is a relatively new industry. Although there a number of online payment solutions, relatively few are directed specifically to the “Under 18” market segment. You must consider our business prospects in light of the risks and difficulties we will encounter in the future in a new and rapidly evolving industry. We may not be able to successfully address these risks and difficulties, which could materially harm our business prospects, financial condition and results of operations.

We are developing a service platform which is new to the market and there is substantial uncertainty regarding the level of consumer and industry acceptance, if any, of our platform.

Our Platform is intended to provide a solution to certain financial institutions, website operators and online merchants. As we do not believe any provider is currently offering such a solution, it is very difficult for us to predict the level of demand and market acceptance of our Platform by consumers or online retailers. As regulations, consumer and industry preferences and trends evolve, there is a high degree of uncertainty about whether users will value some or all of the key features which we intend to incorporate into the Platform. The failure of the marketplace to deem our features desirable may discourage use of our Platform and limit our ability to generate any meaningful revenues or profits which would have a material adverse effect on our business, operating results, and financial condition.

Fluctuations in demand for our Platform may have a material adverse effect on our business, operating results and financial condition.

We are subject to fluctuations in demand for our Platform due to a variety of factors, including general economic conditions, including the possibility of a prolonged period of limited economic growth or possible economic decline in the U.S.; competition; disruptions to the credit and financial markets in Europe, the U.S., and elsewhere; contractions or limited growth in consumer spending or consumer credit; and adverse economic conditions that may be specific to the Internet, ecommerce and payments industries.

We are also subject to product obsolescence, technological change, shifts in buying patterns, financial difficulties and budget constraints of current and potential customers, levels of demand for virtual goods, awareness of security threats to IT systems, and other factors. While such factors may, in some periods increase revenues, fluctuations in demand can also negatively impact our revenues.

If we do not remain proactive with technological development to provide new products and services, the use of our services may not be adopted.

Technological changes impact the industries in which we operate, including developments in payment card tokenization, ecommerce through social networks, authentication and virtual currencies. We cannot predict the effects of technological changes on our business. We expect that new services and technologies applicable to the industries in which we operate will continue to emerge and may be superior to, or render obsolete, the technologies we currently use in our products and services. Developing and incorporating new technologies into our products and services may require substantial expenditures, take considerable time, and ultimately may not be successful. In addition, our ability to adopt new products and services and to develop new technologies may be inhibited by industry-wide standards, payments networks, changes to laws and regulations, resistance to change from consumers or merchants, third-party intellectual property rights, or other factors. Our success will depend on our ability to develop and incorporate new technologies and adapt to technological changes and evolving industry standards; if we are unable to do so in a timely or cost-effective manner, our business could be harmed.

Weak consumer spending may adversely affect our business prospects, financial condition and results of operations.

Our ability to attract new users, and encourage users to purchase items through our website, and use our payment services in times where consumer spending is weak could materially and adversely affect our business, financial condition and results of operations.

Undetected programming errors or flaws in our Platform could harm our reputation or prevent market acceptance of the Platform which would materially and adversely affect our business prospects, reputation, financial condition and results of operations.

The Platform may contain programming errors or flaws, which may become apparent only after sustained use in the market. In addition, the Platform was developed using programs and engines developed by and/or licensed from third party vendors, which may include programming errors or flaws over which we have no control. If our users or partners have a negative experience with the Platform, related to or caused by undetected programming errors or flaws, they may be less inclined to continue or resume use of the Platform or recommend the Platform to other potential users. Undetected programming errors in the Platform can also cause our users or partners to cease using the Platform or delay market acceptance of the Platform, either of which could materially and adversely affect our business, financial condition and results of operations.

Our future growth is largely dependent upon our ability to develop technologies that achieve market acceptance with acceptable margins.

The markets for our products and services are characterized by constant technological changes, frequent introductions of new products and services and evolving industry standards. Our ability to execute our business depends upon a number of factors, including our ability to identify emerging technological and market trends in our target end-markets, develop and maintain competitive products, develop our Platform that differentiates our services from those of our competitors, and develop and bring services to market quickly and cost-effectively. In addition, we will need to effectively manage risks associated with new products and production ramp issues as well as risks that new products may have quality or other defects in early stages of introduction. The process of developing new high technology products, services and solutions and enhancing our existing products is complex, costly and uncertain. Our ability to continually refine and successfully commercialize the Platform will require substantial technological innovation and requires the investment of significant resources. These development efforts may not lead to the ongoing evolution of the Platform on a timely basis or meet the needs of our customers as fully as competitive offerings. Any failure by us to anticipate customers' changing needs and emerging technology trends accurately could significantly harm our market share and results of operations. In addition, the markets for our services may not develop or grow as we anticipate. The failure of our products to gain market acceptance or their obsolescence due to more attractive offerings by competitors could significantly impact our revenues and adversely affect our business, operations and financial results.

Security breaches and other disruptions could compromise our information and expose us to liability, which would cause our business and reputation to suffer.

In the ordinary course of our business, we collect and store sensitive data, including intellectual property, our proprietary business information and that of our customers and business partners, and personally identifiable information of our customers and employees, in our data centers and on our networks. The secure processing, maintenance and transmission of this information is critical to our operations and business strategy. Despite our security measures, our information technology and infrastructure may be vulnerable to attacks by hackers or breached due to employee error, malfeasance or other disruptions. Any such breach could compromise our networks and the information stored there could be accessed, publicly disclosed, lost or stolen. Any such access, disclosure or other loss of information could result in legal claims or proceedings, liability under laws that protect the privacy of personal information, and regulatory penalties, disrupt our operations and the services we provide to customers, and damage our reputation, and cause a loss of confidence in our products and services, which could adversely affect our business/operating margins, revenues and competitive position.

Our plans are dependent upon key individuals and the ability to attract qualified personnel, as well as our relationship with outside developers.

In order to execute our business plan, we will be dependent upon executives, as well as other key development personnel. The loss of any of the foregoing individuals could have a material adverse effect upon our business prospects. Moreover our success continues to depend to a significant extent on our ability to identify, attract, hire, train and retain qualified professional, creative, technical and managerial personnel. Competition for such personnel is intense, and there can be no assurance that we will be successful in identifying, attracting, hiring, training and retaining such personnel in the future. The competition for software developers, and technical directors is especially intense because the software market has significantly expanded over the past several years. If we are unable to hire, assimilate and retain such qualified personnel in the future, our business, operating results, and financial condition could be materially adversely effected. We may also depend on third party contractors and other partners, to develop our Platform as well as any future enhancements thereto. There can be no assurance that we will be successful in either attracting and retaining qualified personnel, or creating arrangements with such third parties. The failure to succeed in these endeavors would have a material adverse effect on our ability to consummate our business plans.

Our lack of patent and/or copyright protection and any unauthorized use of the Platform by third parties, may adversely affect our business.

We have patents and have made patent applications with the United States Patent and Trademark Office related to our Platform, which we rely on for protection to our technology. We also rely on a combination of protections provided by contracts, including confidentiality and nondisclosure agreements, and common law rights, such as trade secrets, to protect our intellectual property. However, we cannot assure you that we will be able to adequately protect our technology or other intellectual property from misappropriation in the U.S. and abroad. This risk may be increased due to the lack of complete patent and/or copyright protection. Any patent issued to us could be challenged, invalidated or circumvented or rights granted thereunder may not provide a competitive advantage to us. Furthermore, patent applications that we file may not result in issuance of a patent or, if a patent is issued, the patent may not be issued in a form that is advantageous to us. Despite our efforts to protect our intellectual property rights, others may independently develop similar products, duplicate our products or design around our patents and other rights. In addition, it is difficult to monitor compliance with, and enforce, our intellectual property rights on a worldwide basis in a cost-effective manner. In jurisdictions where foreign laws provide less intellectual property protection than afforded in the U.S. and abroad, our technology or other intellectual property may be compromised, and our business would be materially adversely affected. If any of our proprietary rights are misappropriated or we are forced to defend our intellectual property rights, we will have to incur substantial costs. Such litigation could result in substantial costs and diversion of our resources, including diverting the time and effort of our senior management, and could disrupt our business, as well as have a material adverse effect on our business, prospects, financial condition and results of operations. We can provide no assurance that we will have the financial resources to oppose any actual or threatened infringement by any third party. Furthermore, any patent or copyrights that we may be granted may be held by a court to infringe on the intellectual property rights of others and subject us to the payment of damage awards.

We may be subject to claims with respect to the infringement of intellectual property rights of others, which could result in substantial costs and diversion of our financial and management resources.

Third parties may claim that we are infringing on their intellectual property rights. We may violate the rights of others without our knowledge. We may expose ourselves to additional liability if we agree to indemnify our clients against third party infringement claims. While we know of no basis for any claims of this type, the existence of and ownership of intellectual property can be difficult to verify and we have not made an exhaustive search of all patent filings. Additionally, most patent applications are kept confidential for twelve to eighteen months, or longer, and we would not be aware of potentially conflicting claims that they make. We may become subject to legal proceedings and claims from time to time relating to the intellectual property of others in the ordinary course of our business. If we are found to have violated the intellectual property rights of others, we may be enjoined from using such intellectual property, and we may incur licensing fees or be forced to develop alternative technology or obtain other licenses. In addition, we may incur substantial expenses in defending against these third party infringement claims and be diverted from devoting time to our business and operational issues, regardless of the merits of any such claim. In addition, in the event that we recruit employees from other technology companies, including certain potential competitors, and these employees are used in the development of portions of the Platform which are similar to the development in which they were involved at their former employers, we may become subject to claims that such employees have improperly used or disclosed trade secrets or other proprietary information. If any such claims were to arise in the future, litigation or other dispute resolution procedures might be necessary to retain our ability to offer our current and future services, which could result in substantial costs and diversion of our financial and management resources. Successful infringement or licensing claims against us may result in substantial monetary damages, which may materially disrupt the conduct of our business and have a material adverse effect on our reputation, business, financial condition and results of operations. Even if intellectual property claims brought against us are without merit, they could result in costly and time consuming litigation, and may divert our management and key personnel from operating our business.

If we are unable to effectively protect our intellectual property rights on a worldwide basis, we may not be successful in the planned international expansion of our Platform.

Access to worldwide markets depends in part on the strength of our intellectual property portfolio. There can be no assurance that, as our business expands into new areas, we will be able to independently develop the technology, software or know-how necessary to conduct our business or that we can do so without infringing the intellectual property rights of others. To the extent that we have to rely on licensed technology from others, there can be no assurance that we will be able to obtain licenses at all or on terms we consider reasonable. The lack of a necessary license could expose us to claims for damages and/or injunction from third parties, as well as claims for indemnification by our customers in instances where we have a contractual or other legal obligation to indemnify them against damages resulting from infringement claims. With regard to our own intellectual property, we intend to actively enforce and protect our rights to the extent practicable. However, there can be no assurance that our efforts will be adequate to prevent the misappropriation or improper use of our protected technology in international markets.

If we are unable successfully to manage growth, our operations could be adversely affected.

Our progress is expected to require the full utilization of our management, financial and other resources, which to date has occurred with limited working capital. Our ability to manage growth effectively will depend on our ability to improve and expand operations, including our financial and management information systems, and to recruit, train and manage sales personnel. There can be no assurance that we will be able to manage growth effectively. If we do not properly manage the growth of our business, we may experience significant strains on our management and operations and disruptions in our business. Various risks arise when companies and industries grow quickly. If our business or industry grows too quickly, our ability to meet customer demand in a timely and efficient manner could be challenged. We may also experience development delays as we seek to meet increased demand for our products. Our failure to properly manage the growth that we or our industry might experience could negatively impact our ability to execute on our operating plan and, accordingly, could have an adverse impact on our business, our cash flow and results of operations, and our reputation with our current or potential customers.

As a public company, we are required to incur substantial expenses.

We are subject to the periodic reporting requirements of the Exchange Act, which requires, among other things, review, audit, and public reporting of our financial results, business activities, and other matters. SEC regulations, including regulations enacted as a result of the Sarbanes-Oxley Act of 2002, have also substantially increased the accounting, legal, and other costs related to compliance with SEC reporting obligations. If we do not have current information about our Company available to market makers, they will not be able to trade our stock. The public company costs of preparing and filing annual and quarterly reports, and other information with the SEC will cause our expenses to be higher than they would be if we were privately-held. These increased costs may be material and may include the hiring of additional employees and/or the retention of additional advisors and professionals. Our failure to comply with the federal securities laws could result in private or governmental legal action against us and/or our officers and directors, which could have a detrimental effect on our business and finances, the value of our stock, and the ability of stockholders to resell their stock.

The impact of laws regulating financial institutions may adversely impact our business.

The impact of laws regulating financial institutions, including the Dodd-Frank Wall Street Reform and Consumer Protection Act may adversely impact our business as a result of our reliance on merchants to provide services for our Platform.

We operate in a highly competitive industry and compete against many large companies.

Many companies worldwide are dedicated to providing online payment solutions including mobile payments, electronic funds transfer networks, cross-border access to networks, prepaid cards, bill pay networks and other online and offline payment methods. The market in which we operate is characterized by numerous and larger competitors, including PayPal, credit card companies, and credit card processors that offer services to online retailers, rapid technological changes, and intense competition. We expect more companies to enter the online payment business, particularly the segment aimed at serving the “Under 18” demographic. Most if not all of these competitors have longer operating histories, significantly greater financial, technical, marketing, customer service and other resources, and greater name recognition than us. As a result, they may respond to new or emerging technologies and changes in customer requirements faster and more effectively than we can. If any current online payment solution develops a COPPA compliant service, it would be substantially more difficult for us to introduce and distribute our Platform to the market, and our business, financial condition and results of operations would be materially and adversely affected.

Changes to payment card networks or bank fees, rules, or practices could harm our business and, if we do not comply with the rules, could result in a termination of our ability to accept credit cards. If we are unable to accept credit cards, our competitive position would be seriously damaged.

We may belong to or directly access payment card networks, such as Visa, MasterCard and the National Automated Clearing House Association (“NACHA”), in order to accept or facilitate the processing of credit cards and debit cards (including some types of prepaid cards) for merchants. We also expect to rely on banks or other payment processors to process transactions, and must pay fees for this service. From time to time, payment card networks have increased, and may increase in the future, the interchange fees and assessments that they charge for each transaction using one of their cards. Generally, payment card processors have the right to pass any increases in interchange fees and assessments on to payment systems like ours as well as increase their own fees for processing. Changes in interchange fees and assessments could increase our operating costs and reduce profit margins, if any. In addition, in some markets, governments have required Visa and MasterCard to reduce interchange fees, or have opened investigations as to whether Visa or MasterCard's interchange fees and practices violate antitrust law. The financial reform law enacted in 2010 authorizes the Federal Reserve Board to regulate debit card interchange rates and debit card network exclusivity provisions, and the Federal Reserve Board has proposed rules that include caps on debit card interchange fees at significantly lower rates than Visa or MasterCard currently charge. We expect to be required by our processors to comply with payment card network operating rules, which generally include the obligation to reimburse processors for any fines they are assessed by payment card networks as a result of any rule violations by users of our Platform. The payment card networks set and interpret the card rules which could be more difficult or expensive to comply with. We also expect to be required to comply with payment card networks' special operating rules for Internet payment services. Some of these rules may be difficult or even impossible for us to comply with. If we are unable to comply with these rules, we may be subject to fines for any failure to comply with such rules or we may lose our ability to gain access to the credit card associations or NACHA.

Any capacity constraints or system disruptions, including natural disasters, international diseases could have a material adverse effect on our business.

Our business will rely significantly on Internet technologies and infrastructure. Therefore, the performance and reliability of our Internet sites and network infrastructure will be critical to our ability to attract and retain users, merchants and strategic partners. Any system error, outage or failure, or a sudden and significant increase in traffic, may result in the unavailability of sites and significantly delay response times. Individual, sustained or repeated occurrences could result in a loss of potential or existing users. Our systems and operations will be vulnerable to interruption or malfunction due to certain events beyond our control, including natural disasters, international diseases, telecommunications failures and computer hacking. We will also rely on Web browsers and online service providers to provide Internet access to our sites. There can be no assurance that we will be able to expand our network infrastructure, either alone or through use of third-party hosting systems or service providers, on a timely basis sufficient to meet demand. Our operations and services depend on the extent to which our computer equipment and the computer equipment of our third-party network providers is protected against damage from fire, earthquakes, terrorist acts, natural disasters, computer viruses, unauthorized entry, power loss, telecommunications failures, and similar events. Despite precautions taken by us and our third-party network providers, over which we have no control, a natural disaster, international disease, or other unanticipated problems at our headquarters or a third-party provider could cause interruptions in the services that we provide. If disruptions occur, we may have no means of replacing these network elements on a timely basis or at all. Any accident, incident, system failure, or discontinuance of operations involving our network or a third-party network that causes interruptions in our operations could have a material adverse effect on our ability to provide services to our partners and customers and, in turn, on our business, financial condition, and results of operations.

Our business will be dependent upon broadband carriers.

We will rely on broadband providers to provide high speed data communications capacity to our customers. We may experience disruptions or capacity constraints in these broadband services. If disruptions or capacity constraints occur, we may have no means of replacing these services, on a timely basis or at all. In addition, broadband access may be limited or unavailable in certain areas, thereby reducing our potential market.

Use of our services for illegal purposes could be detrimental to our business.

Our payment system is susceptible to potentially illegal uses. Use of our payment system for illegal or improper purposes could subject us to claims, such as individual and class action lawsuits, and government and regulatory investigations, inquiries or requests that could result in potential liability. Increased penalties for intermediaries providing payment services for certain illegal activities have become more prevalent. Any threatened or resulting claims could result in a material adverse affect on our business.

We may be subject to credit card transaction fraud.

Our business model depends upon the processing of credit cards and may include the sale of gift cards. In cases where we are the merchant of record on a gift card sale, we could be held financially responsible for the value of gift cards which are purchased using a fraudulent or stolen credit card. While we use software and safeguards to ensure that credit cards we accept are valid, there can be no assurance that credit card fraud will not occur. In addition, in the case of transactions where our merchant is in the United States and is the merchant of record, we are not generally responsible for credit card fraud. However, given that our business will be dependent on the successful processing of credit cards and payment solutions, fraudulent processing could have an adverse effect on our merchant relationships and could result in liability. Additionally, other countries have varying rules on who the responsible party would be in certain variations of credit card or other payment fraud. While we are researching such international policies and rules and are implementing safeguards to minimize risk, there can be no assurance that we will not incur liability relating to credit card or other payment fraud.

RISKS RELATED TO OUR COMMON STOCK

Our strategic alternatives process may not result in a successful corporate transaction or liquidity event.

Our Board of Directors is exploring our strategic alternatives. Any process of exploring strategic alternatives includes market risk and other uncertainties. There can be no assurance that the aforementioned exploration of strategic alternatives will result in the successful consummation of a liquidity event, capital raise or other corporate transaction, on a basis that will provide any specific level of value to our common stockholders or other security holders, or at all. We do not currently have an investment bank engaged with respect to the strategic alternatives process, however, we have engaged a mergers and acquisitions specialist along with a law firm with respect to such matters. We remain committed to the exploration and assessment of our strategic alternatives.

Trading in our common stock has been limited, there is no significant trading market for our common stock, and purchasers of our common stock may be unable to sell their shares.

Our common stock is currently eligible for quotation on the OTC QB, however trading to date has been limited. If activity in the market for shares of our common stock does not increase, purchasers of our shares may find it difficult to sell their shares. We currently do not meet the initial listing criteria for any registered securities exchange, including the Nasdaq Stock Market. The OTC Bulletin Board is a less recognized market than the foregoing exchanges and is often characterized by low trading volume and significant price fluctuations. These and other factors may further impair our stockholders' ability to sell their shares when they want to and/or could depress our stock price. As a result, stockholders may find it difficult to dispose of, or obtain accurate quotations of the price of our securities because smaller quantities of shares could be bought and sold, transactions could be delayed and security analyst and news coverage of our Company may be limited. These factors could result in lower prices and larger spreads in the bid and ask prices for our shares of common stock.

We may not be able to qualify to have our common stock listed on a national stock exchange.

The Company's common stock currently trades on the Over the Counter Market ("OTC QB") in the United States. Listing requirements for exchanges such as NASDAQ include financial and trading requirements that, as of December 31, 2019 the Company does not meet. The listing process can be lengthy, is discretionary and ultimately must include meeting financial and trading requirements. There can be no assurance that the Company will ever be listed on a national stock exchange. Currently, the Company does not qualify for listing based on its stock price, among other things. Therefore, certain institutional investors may not be able to purchase the Company's common stock as a result of their own ownership guidelines and liquidity in the Company's common stock would remain more limited. Further, the Company's ability to raise money through subsequent offerings of its common stock will be more limited if the Company is not able to list on a national exchange.

Applicable SEC rules governing the trading of "penny stocks" may limit the trading and liquidity of our common stock which may affect the trading price of our common stock.

Our common stock is a "penny stock" as defined under Rule 3a51-1 of the Exchange Act, and is accordingly subject to SEC rules and regulations that impose limitations upon the manner in which our common stock can be publicly traded. Penny stocks generally are equity securities with a per share price of less than $5.00 (other than securities registered on some national securities exchanges or quoted on NASDAQ). The penny stock rules require a broker-dealer, prior to a transaction in a penny stock not otherwise exempt from the rules, to deliver a standardized risk disclosure document that provides information about penny stocks and the nature and level of risks in the penny stock market. The broker-dealer also must provide the customer with current bid and offer quotations for the penny stock, the compensation of the broker-dealer and its salesperson in the transaction, and, if the broker-dealer is the sole market maker, the broker-dealer must disclose this fact and the broker-dealer's presumed control over the market, and monthly account statements showing the market value of each penny stock held in the customer's account. In addition, broker-dealers who sell these securities to persons other than established customers and "accredited investors" must make a special written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser's written agreement to the transaction. Consequently, these requirements may have the effect of reducing the level of trading activity, if any, of our common stock and reducing the liquidity of an investment in our common stock.

We have outstanding shares of preferred stock with rights and preferences superior to those of our common stock.

The issued and outstanding shares of Series A Cumulative Convertible Preferred Stock and Series B Cumulative Convertible Preferred Stock, and the authorized but unissued shares of Series C Cumulative Convertible Preferred Stock, grant the holders of such preferred stock anti-dilution, voting, dividend and liquidation rights (including liquidation multiples) that are superior to those held by the holders of our common stock. In addition, upon the issuance or deemed issuance of additional shares of common stock in the future for a price below the applicable preferred stock conversion price (currently $0.90 per share), the conversion price of the Series A and Series B Cumulative Convertible Preferred Stock will be lowered based on a weighted average formula, and the conversion price of the Series C Cumulative Convertible Preferred Stock will be lowered based on a full-ratchet formula for twelve months from the original authorization date and pursuant to a weighted average formula thereafter, all of which will have the effect of immediately diluting the holders of our common stock.

Sales of a substantial number of shares of our common stock in the public market originally issued through the conversion of preferred stock, exercise of options or warrants, or additional financing transactions could adversely affect the market price of our common stock and would have a dilutive effect upon our shareholders.

Historically, our common stock has been thinly traded. This low trading volume may have had a significant effect on the market price of our common stock, which may not be indicative of the market price in a more liquid market. As of May 27, 2020, options and warrants for the purchase of 16,685,000 shares of our common stock were outstanding and 24,742,760 shares of common stock were issuable upon conversion of our outstanding Series A and B Cumulative Convertible Preferred Stock and 10% Secured Convertible Notes Payable convertible into Series B and 4% Secured Convertible Notes Payable convertible into Series C Cumulative Convertible Preferred Stock. Sales of a substantial number of shares of our common stock in the public market originally issued through the conversion of convertible notes, preferred stock, exercise of options or warrants, or additional financing transactions could adversely affect the market price of our common stock.

We intend to raise additional funds in the future through issuances of securities and such additional funding may be dilutive to shareholders or impose operational restrictions.

We intend to raise additional capital in the future to help fund our operations through sales of shares of our common stock or securities convertible into shares of our common stock, as well as issuances of debt. Such additional financing may be dilutive to our shareholders, and debt financing, if available, may involve the pledge of security interests in our assets, and restrictive covenants, which may limit our operating flexibility. If additional capital is raised through the issuances of shares of our common stock or securities convertible into shares of our common stock, the percentage ownership of existing shareholders will be reduced. These shareholders may experience additional dilution in net book value per share and any additional equity securities may have rights, preferences and privileges senior to those of the holders of our common stock.

Because we do not expect to pay dividends for the foreseeable future, investors seeking cash dividends should not purchase shares of common stock.

We have never declared or paid any cash dividends on our common stock. We currently intend to retain future earnings, if any, to finance the expansion of our business. As a result, we do not anticipate paying any cash dividends in the foreseeable future. Our payment of any future dividends will be at the discretion of our board of directors after taking into account various factors, including but not limited to our financial condition, operating results, cash needs, growth plans and the terms of any credit agreements that we may be a party to at the time. Accordingly, investors must rely on sales of their shares, after price appreciation, which may never occur, as the only way to realize any return on their investment. Investors seeking cash dividends should not purchase our shares.

We are not subject to certain corporate governance provisions of the Sarbanes-Oxley Act of 2002 and without voluntary compliance with such provisions, our shareholders will not receive the benefits and protections they were enacted to provide.

Since our common stock is not listed for trading on a national securities exchange, we are not subject to certain of the corporate governance requirements established by the national securities exchanges pursuant to the Sarbanes-Oxley Act of 2002. These include rules relating to independent directors, and independent director nomination, audit and compensation committees. Unless we voluntarily elect to comply with those obligations, investors in our shares will not have the protections offered by those corporate governance provisions.

We will be required to remain current in our filings with the SEC or our securities will not be eligible for continued quotation on the OTC QB.

We are required to remain current in our filings with the SEC in order for our shares of common stock to continue to be eligible for quotation on the OTC QB. In the event that we become delinquent in our required filings with the SEC, quotation of shares of our common stock will be terminated following a 30 day grace period if we do not make our required filing during that time. In such event purchasers of our common stock may find it difficult to sell their common stock.

If we issue shares of preferred stock with superior rights to the shares of common stock, it could result in a decrease in the value of our common stock and delay or prevent a change in control of us.

Our board of directors is authorized to issue up to 2,000,000 shares of preferred stock with such rights, designation, and preferences as determined by our board of directors. As of the date of this report, we have issued 136,228 shares of preferred stock (consisting of 107,850 shares of Series A Cumulative Convertible Preferred Stock and 28,378 shares of Series B Cumulative Convertible Preferred Stock), authorized the issuance of up to 150,000 shares of Series C Cumulative Convertible Preferred Stock, and 1,863,772 preferred shares remain unissued. Our board of directors has the power to establish the dividend rates, liquidation preferences, voting rights, redemption and conversion terms and privileges with respect to any series of preferred stock without shareholder approval. Depending upon our future financial needs, our board may, in the exercise of its business discretion, determine to issue additional shares of preferred stock having rights superior to those of our common stock which may result in a decrease in the value or market price of such shares. Holders of such preferred stock may have the right to receive dividends, certain preferences in liquidation and conversion rights. The issuance of preferred stock could, under certain circumstances, have the effect of delaying, deferring or preventing a change in control of us without further vote or action by the stockholders and may adversely affect the voting and other rights of the holders of the shares of our common stock.

Provisions of our certificate of incorporation, bylaws and Delaware law may make a contested takeover of our Company more difficult.

Certain provisions of our certificate of incorporation, bylaws and the General Corporation Law of the State of Delaware ("DGCL") could deter a change in our management or render more difficult an attempt to obtain control of us, even if such a proposal is favored by a majority of our stockholders. For example, we are subject to the provisions of the DGCL that prohibit a public Delaware corporation from engaging in a broad range of business combinations with a person who, together with affiliates and associates, owns 15% or more of the corporation’s outstanding voting shares (an "interested stockholder") for three years after the person became an interested stockholder, unless the business combination is approved in a prescribed manner. Our certificate of incorporation also includes undesignated preferred stock, which may enable our board of directors to discourage an attempt to obtain control of us by means of a tender offer, proxy contest, merger or otherwise. Finally, our bylaws include an advance notice procedure for stockholders to nominate directors or submit proposals at a stockholders meeting. Delaware law and our charter may therefore inhibit a takeover.

The influx of additional shares of our common stock onto the market pursuant to SEC Rule 144 may create downward pressure on the trading price of our common stock.

A material percentage of the currently outstanding shares of our common stock are *"restricted securities"* within the meaning of Rule 144 under the Securities Act of 1933, as amended. As restricted securities, these shares may be resold only pursuant to an effective registration statement, under the requirements of Rule 144, or other applicable exemptions from registration under the Act and applicable state securities laws. Generally, Rule 144 provides that a person who has held restricted securities for a prescribed period may, under certain conditions, publicly resell such shares. Under Rule 144, a non-affiliate (i.e., a stockholder who has not been an officer, director or control person for at least 90 consecutive days) may freely resell restricted securities issued by a reporting company so long as such securities have been held by the owner for a period of at least one year, or under certain circumstances six months. The availability of a large number of shares for sale to the public under Rule 144 and the sale of such shares in public markets could have an adverse effect on the market price of our common stock.

We may require shareholders to authorize additional shares for us to properly finance our business.

Upon the Company's formation, and through a subsequent approval, our shareholders authorized and approved 230,000,000 shares of common stock. Currently, only 66.5 million of such shares remain available for issuance. To finance and continue to grow our business, we will require additional capital and have historically relied upon the issuance of common stock, or securities convertible into common stock, for such financing. Should our shareholders be unwilling to approve a sufficient increase in the number of our authorized shares of common stock, we would be required to finance our business with debt or other instruments, which may be difficult or impossible to secure on terms acceptable to us. If that were to occur, we may not be able to (a) pay our costs and expenses as they are incurred, (b) execute our business plan, (c) take advantage of future opportunities, or (d) respond to competitive pressures or unanticipated requirements, which may in the extreme case, require us to liquidate the Company.

RISKS RELATED TO OUR FINANCIAL STATEMENTS

Management's judgment could impact the amount of non-cash compensation expense.

To estimate the fair value of our stock option awards we currently use the Black-Scholes options pricing model. The determination of the fair value of equity-based awards on the date of grant using an options pricing model is affected by our then current stock price as well as assumptions regarding a number of complex and subjective variables. Management is required to make certain judgments for these variables which include the expected stock price volatility over the term of the awards, the expected term of options based on employee exercise behaviors, and the risk-free interest rate. One of the factors used in determining such value is stock volatility. Because of the limited trading activity of our common stock, prior to January 1, 2014, we used the stock volatility of four peer companies. To the extent that we used different peer companies to measure volatility, a different stock volatility factor may have resulted which would have caused a different stock valuation and a related increase or decrease in non-cash compensation expense. Beginning January 1, 2014, volatility in all instances presented is the Company's estimate of volatility that is based on the historical volatility of the Company's stock history. If actual results are not consistent with our assumptions and judgments used in estimating key assumptions, in future periods, the stock option expense that we record for future grants may differ significantly from what we have recorded in the current period.

ITEM 1B. UNRESOLVED STAFF COMMENTS.

None.

ITEM 2. PROPERTIES.

Our principal offices are currently located at 325 Sentry Parkway, Blue Bell, PA 19422, and are leased on a month to month basis at $341 per month.

ITEM 3. LEGAL PROCEEDINGS.

We are not a party to any pending legal proceedings, nor are we aware of any governmental authority contemplating any legal proceeding against us.

In September 2014, the Company received a subpoena from the Securities and Exchange Commission with respect to the preservation and production of documents relating to an investigation into trading in the Company's stock. The subpoena states that it should not be construed as an indication by the Securities and Exchange Commission that any violation of law has occurred, nor as a reflection upon any person, entity or security. The Company has been cooperating fully with the terms of the subpoena.

ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

Our common stock is quoted on the OTC QB market under the trading symbol "RPMT.OB". There was only sporadic and intermittent trading activity of our common stock. The quoted prices on the OTC QB represent only prices between dealers on each trading day as submitted from time to time by certain of the securities dealers wishing to trade in our common stock, do not reflect retail mark-ups, mark-downs or commissions, and may not represent, or differ substantially from, prices in actual transactions.

Common Stockholders

As of May 27, 2020 our shares of Common Stock were held by 154 stockholders of record.

Dividend Policy

We have never declared or paid a cash dividend. At this time, we do not anticipate paying dividends in the foreseeable future. The declaration and payment of dividends is subject to the discretion of our board of directors and will depend upon our earnings (if any), our financial condition, and our capital requirements.

Purchases of equity securities by the issuer and affiliated purchasers

The Company did not repurchase any common stock in the fourth quarter of 2019.

Sales of unregistered securities

During the fourth quarter of 2019, the Company issued $45,000 of the 4% Secured Convertible Notes Payable in a private placement to accredited investors. See Note 11 of the financial statements contained herein for a description of the terms of such notes.

The Company also issued $825,000 of Notes Payable – stockholders in a private placement to accredited investors. See Note 10 of the financial statements contained herein for a description of the terms of such notes.

Transfer Agent

Our Transfer Agent is Island Stock Transfer and their address and phone number are 100 Second Avenue South, Suite 7055, St. Petersburg, Florida 33701; (727) 289-0010.

ITEM 6. SELECTED FINANCIAL DATA.

Not required.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

This Management's Discussion and Analysis of Financial Condition And Results Of Operations and other parts of this Annual Report on Form 10-K contain forward-looking statements that involve risks and uncertainties. All forward-looking statements included in this Annual Report on Form 10-K are based on information available to us on the date hereof, and except as required by law, we assume no obligation to update any such forward-looking statements. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of a number of factors in Item 1A – Risk Factors herein. The following should be read in conjunction with our annual financial statements contained elsewhere in this report.

Overview

Rego Payment Architectures, Inc. (the “Company,” “we”, or “us”) was incorporated in Delaware on February 11, 2008 under the name Chimera International Group, Inc. On April 4, 2008, we amended our certificate of incorporation and changed our name to Moggle, Inc. On August 22, 2011, we filed a Certificate of Ownership with the Secretary of State of Delaware, pursuant to which the Company’s newly-formed wholly-owned subsidiary, Virtual Piggy Incorporated was merged into and with the Company (the “Merger”). In connection with the Merger and in accordance with Section 253 of the Delaware General Corporation Law, the name of the Company was changed from “Moggle, Inc.” to “Virtual Piggy, Inc.” On February 28, 2017, we amended our certificate of incorporation and changed our name to Rego Payment Architectures, Inc. Our principal office is located at 325 Sentry Parkway, Suite 200, Blue Bell, PA 19422 and our telephone number is (267) 465-7530.

As of the date of this report, we have not generated significant revenues. Our initial business plan was to develop an online game platform to allow game companies to create, monetize and distribute massive multiplayer online games (MMOG). The Company technology was the monetization component of this overall software platform (our “Platform”). During 2010, we analyzed the market potential for an expanded Company solution and decided to concentrate our efforts on the delivery of a full-featured Company solution that was not restricted to online gaming. The expanded Company solution is designed to provide a complete online solution for families and parents to teach their children about financial management and spending as well as provide a safe and secure venue for children under 13 in the United States and under 16 internationally, to participate in financial transactions both online and in retail stores.

Our focus is monetizing the Platform in the FinTech industry through technology licensing and similar partnerships. We are focused on building and improving the existing Platform and App that will act as the foundation for the strategic alignment with the Financial Technology (“FinTech”) industry. The FinTech industry is composed primarily of startup companies that use software to provide financial services more efficiently and less costly than traditional financial service companies. With our Children’s Online Privacy Protection Act (“COPPA”) and GDPRkidsTM Trustmark compliant technology as an added feature, we believe we will have better market success.

Strategic Outlook

We believe that the virtual goods market and the FinTech industry will continue to grow over the long term. Within the market and industry, we intend to provide services to allow transactions with children in compliance with COPPA and similar international privacy laws, most notably GDPR. We believe that this particular opportunity is relatively untapped and intend to be a leading provider of software to process online transactions for children.

Sustained spending on technology, our ability to raise additional financing, the continued growth of the FinTech industry, and compliance with regulatory and reporting requirements are all external conditions that may affect our ability to execute our business plan. In addition, the FinTech industry is intensely competitive, and most participants have longer operating histories, significantly greater financial, technical, marketing, customer service and other resources, and greater name recognition. In addition, certain potential customers, particularly large organizations, may view our small size and limited financial resources as a negative even if they prefer our offering to those of our competitors.

Our primary strategic objectives over the next 12-18 months are to increase our user base and the engagement level of that base. We plan to achieve that by implementing our partner-first go to market model in which established payments market leaders and vertical market participants can incorporate and integrate our platform into co-branded payments solutions targeting youth and family. Management believes this approach will enable the Company to reduce expenses while broadening its reach.

Within this model, the Company is incorporating licensing fees. This should enable the Company to begin creating shareholder value above and beyond consumer transaction fees. As our service grows, we intend to hire additional information technology staff to maintain our product offerings and develop new products to increase our market share.

We believe that our near-term success will depend particularly on our ability to develop customer awareness and confidence in our service. Since we have extremely limited capital resources, we will need to closely manage our expenses and conserve our cash by continually monitoring any increase in expenses and reducing or eliminating unnecessary expenditures. Our prospects must be considered in light of the risks, expenses and difficulties encountered by companies at an early stage of development, particularly given that we operate in new and rapidly evolving markets, that we have limited financial resources, and face an uncertain economic environment. We may not be successful in addressing such risks and difficulties.

Factors Affecting Our Business

We are also carefully monitoring the ongoing coronavirus health crisis. The outbreak of the coronavirus could adversely affect our business, results of operations and financial condition. The coronavirus outbreak may materially impact our sourcing of employees, specifically engineers. Additionally, travel restrictions may impede our progress to promote our Platform internationally and to raise funds both domestically and internationally. If we cannot raise funds when they are needed or if such funds cannot be obtained on acceptable terms, we may not be able to (a) pay our costs and expenses as they are incurred, (b) execute our business plan, (c) take advantage of future opportunities, or (d) respond to competitive pressures or unanticipated requirements, which may in the extreme case, require us to liquidate the Company. This may seriously harm our business, financial condition and results of operations.

Results of Operations

Comparison of the Years Ended December 31, 2019 and 2018

The following discussion analyzes our results of operations for the years ended December 31, 2019 and 2018. The following information should be considered together with our financial statements for such periods and the accompanying notes thereto.

Revenue/Net Loss

Revenue

We have not generated significant revenue since our inception. For the years ended December 31, 2019 and 2018, we generated revenues of $34,485 and $46,755. In 2019 and 2018 we outsourced some of our engineers to assist a technology company and were able to generate revenue to support our operations.

Net Loss

Our net loss attributable to common stockholders decreased $2.7 million to $4.3 million for the year ended December 31, 2019 compared to $7.0 million for the year ended December 31, 2018, as a result of decreased operating expenses as further described below.

Sales and Marketing Expenses

Sales and marketing expenses increased by $26,114 or 136% in 2019 to $45,308 compared to $19,194 in 2018. In 2019 we brought in a marketing firm to assist with the marketing and designs for our mobile app, which increased our spending in this area.

Product Development

Product development expenses decreased by $0.7 million, or 73% in 2019 to $0.2 million compared to $0.9 million in 2018. During 2019, budgeting constraints and lack of funding were the primary factor in the reduction.

General and Administrative Expenses

General and administrative expenses decreased by $2.1 million, or 49% in 2019 to $2.1 million compared to $4.2 million in 2018. During 2018 the Company extended the term of certain warrants and incurred an expense of $0.7 million, which did not occur in 2019. In addition, option expenses were higher by $1.1 million in 2018, primarily due to option grants to officers and board members and payroll and payroll related expenses were higher by $0.2 million in 2018 as a result of reductions in employee salaries in 2019 due to lack of funding.

Interest Expense

Interest expense decreased $0.2 million, or 25% to $0.7 million in 2019 compared to $0.9 million in 2018. This was a result of the exchange of certain debt from debt with a 10% interest rate to debt at a 4% interest rate.

Loss on Investment

During 2019, the Company determined that the investment in Crowd Cart, Inc. was impaired other than temporarily and has wrote off the investment.

Liquidity and Capital Resources

Net cash used in operating activities decreased $0.1 million to $1.2 million for the year ended 2019 compared to $1.3 million for the year ended December 31, 2018. The decrease resulted primarily from cash constraints leading to increases in accounts payable and accrued expenses, and issuances of options to facilitate ongoing operations rather than expending cash.

Net cash used in investing activities was $0 and $2,069 for the years ended December 31, 2019 and 2018.

Net cash provided by financing activities increased by $0.4 million to $1.7 million for the year ended December 31, 2019 compared to $1.3 million for the year ended December 31, 2018. The Company was more successful in raising capital with the production of the mobile app being closer to finalization and interest from international banks.

Subsequent to December 31, 2019, the Company raised gross proceeds of $8,500 through the issuance of notes payable and $160,000 through our 4% secured convertible notes payable-stockholders.

As we have not realized significant revenues since our inception, we have financed our operations through public and private offerings of debt and equity securities. We do not currently maintain a line of credit or term loan with any commercial bank or other financial institution.

Since our inception, we have focused on developing and implementing our business plan. We believe that our existing cash resources will not be sufficient to sustain our operations during the next twelve months. We currently need to generate sufficient revenues to support our cost structure to enable us to pay ongoing costs and expenses as they are incurred, finance the development of our platform, and execute the business plan. If we cannot generate sufficient revenue to fund our business plan, we intend to seek to raise such financing through the sale of debt and/or equity securities. The issuance of additional equity would result in dilution to existing shareholders. If we are unable to obtain additional funds when they are needed or if such funds cannot be obtained on terms acceptable to us, we will be unable to execute upon the business plan or pay costs and expenses as they are incurred, which would have a material, adverse effect on our business, financial condition and results of operations.

Even if we are successful in generating sufficient revenue or in raising sufficient capital in order to complete the platform, our ability to continue in business as a viable going concern can only be achieved when our revenues reach a level that sustains our business operations. In 2019, we raised approximately $1.7 million through our issuance of financial instruments. The launch of the platform is expected to launch in the third quarter of 2020, however, we do not project that significant revenue will be developed until later in 2020. There can be no assurance that we will raise sufficient proceeds, or any proceeds, for us to implement fully our proposed business plan. Moreover there can be no assurance that even if platform is developed and launched, that we will generate revenues sufficient to fund our operations. In either such situation, we may not be able to continue our operations and our business might fail.

As of May 27, 2020, the Company has a cash position of approximately $195,000. Based upon the current cash position and the Company's planned expense run rate, management believes the Company will be able to finance its operations through June 2020.

The foregoing forward-looking information was prepared by us in good faith based upon assumptions that we believe to be reasonable. No assurance can be given, however, regarding the attainability of the projections or the reliability of the assumptions on which they are based. The projections are subject to the uncertainties inherent in any attempt to predict the results of our operations, especially where new products and services are involved. Certain of the assumptions used will inevitably not materialize and unanticipated events will occur. Actual results of operations are, therefore, likely to vary from the projections and such variations may be material and adverse to us. Accordingly, no assurance can be given that such results will be achieved. Moreover due to changes in technology, new product announcements, competitive pressures, system design and/or other specifications we may be required to change the current plans.

Off-Balance Sheet Arrangements

As of December 31, 2019, we did not have any relationships with unconsolidated entities or financial partners, such as entities often referred to as structured finance or special purpose entities, established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. As such, we are not materially exposed to any financing, liquidity, market or credit risk that could arise if we had engaged in such relationships.

Critical Accounting Policies

Our financial statements are impacted by the accounting policies used and the estimates and assumptions made by management during their preparation. A complete summary of these policies is included in Note 1 of the Notes to Financial Statements included elsewhere herein. We have identified below the accounting policies that are of particular importance in the presentation of our financial position, results of operations and cash flows and which require the application of significant judgment by management.

Stock-based Compensation

We have adopted the fair value recognition provisions Financial Accounting Standards Board Accounting Standards Codification ("FASB ASC") 718. In addition, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 107 "*Share-Based Payment*" ("SAB 107") in March, 2005, which provides supplemental FASB ASC 718 application guidance based on the views of the SEC. Under FASB ASC 718, compensation cost recognized includes compensation cost for all share-based payments granted beginning January 1, 2006, based on the grant date fair value estimated in accordance with the provisions of FASB ASC 718.

In June 2018, the FASB issued ASU No. 2018-07, *Compensation – Stock Compensation (Topic 718), Improvements to Nonemployee Share-Based Payment Accounting*. The amendments in this Update expand the scope of Topic 718 to include share-based payment transactions for acquiring goods and services from nonemployees. Prior to this Update, Topic 718 applied only to share-based transactions to employees. Consistent with the accounting requirement for employee share-based payment awards, nonemployee share-based payment awards within the scope of Topic 718 are measured at grant-date fair value of the equity instruments that an entity is obligated to issue when the good has been delivered or the service has been rendered and any other conditions necessary to earn the right to benefit from the instruments have been satisfied.

We have used the Black-Scholes option-pricing model to estimate the option fair values. The option-pricing model requires a number of assumptions, of which the most significant are, expected stock price volatility, the expected pre-vesting forfeiture rate and the expected option term (the amount of time from the grant date until the options are exercised or expire).

Revenue Recognition

In accordance with FASB ASC 606, *Revenue from Contracts with Customers*, the Company recognizes revenue when it satisfies performance obligations, by transferring promised goods or services to customers, in an amount that reflects the consideration to which the Company expects to be entitled in exchange for fullfilling those performance obligations.

Recently Issued Accounting Pronouncements

Recently issued accounting pronouncements are discussed in Note 1 of the Notes to Financial Statements contained elsewhere in this report.

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

Not required.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

The financial statements required to be filed pursuant to this Item 8 are appended to this report beginning on page F-1 located immediately after the signature page.

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

None.

ITEM 9A. CONTROLS AND PROCEDURES.

Disclosure Controls and Procedures

Our management has evaluated, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) or 15(d)-15(e) under the Exchange Act) as of the end of the period covered by this report pursuant to Rule 13a-15(b) under the Exchange Act. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of December 31, 2019, our disclosure controls and procedures were effective to ensure (i) that information we are required to disclose in reports that we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and (ii) that such information is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, in order to allow timely decisions regarding required disclosure.

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934 as amended. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management conducted an evaluation of the effectiveness of our internal controls over financial reporting as of December 31, 2019 using criteria established in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Our management has concluded that our internal control over financial reporting was effective as of December 31, 2019.

This annual report does not include an attestation report of our registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by our registered public accounting firm pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act, which permits us to provide only management's report in this annual report.

Changes in Internal Control Over Financial Reporting

There have not been any changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act) that occurred during the fiscal quarter ended December 31, 2019 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION.

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

The current members of our board of directors and executive officers of the Company are as follows:

Name	Age	Position with Company
David A. Knight	56	Chairman of the Board, Chief Executive Officer
Gerald Hannahs	68	Director
Scott McPherson	58	Chief Financial Officer

Our directors serve annual terms. We believe that our board of directors should be composed of individuals with sophistication and experience in many substantive areas that impact our business. We believe that experience, qualifications, or skills in the following areas are most important: software development, ecommerce, the FinTech industry, accounting and finance; strategic planning; and human resources and development practices; and board practices of other corporations. These areas are in addition to the personal qualifications described in this section. We believe that all of our current board members possess the professional and personal qualifications necessary for board service, and have highlighted particularly noteworthy attributes for each board member in the individual biographies below. The principal occupation and business experience, for at least the past five years, of each current director and executive officer is as follows:

David Knight

Prior to joining Rego in July 2017, Mr. Knight founded SX Latin Brands, Inc. in 2007 that launched its product in 2011. The company developed a product range of Latin spirits, which have won awards. Mr. Knight has secured distribution channels, led sales and marketing strategies and has expanded the operation nationally and internationally. Prior to that Mr. Knight has worked for Ebay, Inc.as part of its Marketplaces International Marketing team and Pepsico International as Vice President of Marketing Gatorade International. As a result of these and other professional experiences, and his experience as the Company's CEO, Mr. Knight possesses particular knowledge and experience in finance and accounting, SEC reporting, sales and marketing that strengthen the board's collective qualifications, skills, and experience.

Gerald Hannahs

Mr. Hannahs served as an Account Executive and First Vice President for EF Hutton, Prudential and Paine Webber from 1982 to 1986. Mr. Hannahs co-founded Texarkoma Crude & Gas Company in 1983. Mr. Hannahs has over 30 years of experience in the investment business and the oil and gas industry. As a result of these and other professional experiences, Mr. Hannahs possesses particular knowledge and experience in investing, finance and accounting, SEC reporting, sales and marketing that strengthen the board's collective qualifications, skills, and experience.

Scott McPherson

Mr. McPherson has served as the Company's Chief Financial Officer since July 2015. Mr. McPherson was hired as a part-time controller for US Environmental, Inc. in September 2019. US Environmental, Inc. is an environmental services company primarily involved in the transportation and disposal of environmental waste. Mr. McPherson also served as the Chief Financial Officer of VerifyMe, Inc. from December 1, 2014 through July 15, 2017 and from December 2012 to October 2013. VerifyMe, Inc. is a public company that provides high-tech solutions in the field of authenticating people and products. Mr. McPherson from April 2015 to July 2015 was the Chief Executive Officer and was the Chief Financial Officer of CannLabs, Inc. from June 2014 to July 2015. Prior to that, Mr. McPherson served as the Chief Financial Officer of Rego Payment Architectures, Inc., from August 2010 through November 2012. Mr. McPherson formed McPherson, CPA, PLLC in January 2005, which he continues to manage today. The firm performs accounting, tax and litigation support services for numerous clients in various industries. The firm has successfully assisted small public companies by developing procedures for them to implement, in order to initially comply and maintain compliance with the Sarbanes-Oxley Act. All of these services are conducted under the direction of Mr. McPherson.

Committees of the Board of Directors

At this time, due to the small size of the Company's Board of Directors, the Company does not have any committees of the Board of Directors and the Board of Directors does not have an "audit committee financial expert," as defined by the SEC rules.

Code of Ethics

Our board of directors approved a Code of Ethics and Rules of Conduct in accordance with the rules of the Securities and Exchange Commission that governs the conduct of each of our directors, officers, consultants and employees. Our Code of Ethics and Rules of Conduct is maintained on our website at www.regopayments.com. Any amendments to, or waivers of the Code of Ethics and Rules of Conduct that apply to our principal executive officer, principal financial officer, or principal accounting officer and that relates to any element of the definition of the term "code of ethics," as the term is defined by the Securities and Exchange Commission, will be posted on our website at www.regopayments.com. There are currently no such amendments or waivers.

We recognize the importance of preventing both actual conflicts of interest and the appearance of such conflicts in dealings between the Company and "related persons" (our directors, director nominees, executive officers, stockholders beneficially owning 5% or greater of our common stock, or the immediate family members of any of the foregoing). The Board of Directors will regularly review our corporate policies with respect to conflicts of interest including related party transactions and investigates instances of such conflicts.

Each matter described below under "Item 13. Certain Relationships and Related Transactions, and Director Independence " was vetted and pre-approved by a majority of the disinterested members of our Board of Directors.

Delinquent Section 16(a) Reports

Section 16(a) of the Exchange Act requires that our officers and directors and persons who beneficially own more than 10% of our common stock file initial reports of ownership and reports of changes in beneficial ownership of our common stock with the SEC. They are also required to furnish us with copies of all Section 16(a) forms that they file with the SEC. Based solely on our review of the copies of such forms received by us, or written representations from such persons that no reports were required for those persons, we believe that all Section 16(a) filing requirements were satisfied during our fiscal year ended December 31, 2019.

ITEM 11. EXECUTIVE COMPENSATION.

Summary Compensation Table

The following table sets forth the compensation earned by the Company's principal executive officers during the years ended December 31, 2019 and 2018.

Name and Principal Position	Year	Salary ($)	Bonus ($)	Stock Awards (1) ($)	Option Awards (1) ($)	All Other Compensation ($)	Total ($)
David Knight, Chairman and Chief Executive Officer	2019	293,462	-	-	-	-	293,462
	2018	309,038	-	-	253,595	-	562,633
Scott McPherson, Chief Financial Officer	2019	153,462	-	-	-	-	153,462
	2018	150,000	-	-	152,157	-	302,157

(1) The value of the stock awards were based on the closing stock price on the date that the stock awards were issued. The option awards were based on the Black-Scholes option pricing model with assumptions for dividend yield, risk free interest rate, expected volatility and expected life described in Note 15 to the financial statements included in this Form 10-K.

Outstanding Equity Awards at Fiscal Year-End Table

The following table sets forth information with respect to outstanding equity-based awards held by the named executive officers at December 31, 2019.

	Option awards					Stock awards			
Name	**Number of securities underlying unexercised options (#) exercisable**	**Number of securities underlying unexercised options (#) unexercisable**	**Equity incentive plan awards: Number of securities underlying unexercised unearned options (#)**	**Option Exercise Price ($)**	**Option Expiration Date**	**Number of shares or units of stock that have not vested (#)**	**Market value of shares or units of stock that have not vested ($)**	**Equity incentive plan awards: Number of unearned shares, units or other rights that have not vested (#)**	**Equity incentive plan awards: Market or payout value of unearned shares, units or other rights that have not vested ($)**
David Knight	2,000,000	-	-	0.90	7/1/2022	-	-	-	-
	3,000,000	-	-	0.90	10/25/2022	-	-	-	-
	66,666	33,334 (c)	-	0.90	7/23/2023	-	-	-	-
	500,000 (a)	-	-	5.00	12/19/2023	-	-	-	-
	500,000 (b)	-	-	5.00	12/19/2023	-	-	-	-
Scott McPherson	250,000	-	-	0.22	7/31/2020	-	-	-	-
	250,000	-	-	0.29	9/1/2020	-	-	-	-
	250,000	-	-	0.90	5/18/2021	-	-	-	-
	750,000	-	-	0.26	4/12/2023	-	-	-	-
	66,666	33,334 (c)	-	0.90	7/23/2023	-	-	-	-
	300,000 (a)	-	-	5.00	12/19/2023	-	-	-	-
	300,000 (b)	-	-	5.00	12/19/2023	-	-	-	-

(a) Options were issued by Zoom Solutions, Inc., a majority-owned subisidiary of the Company.
(b) Options were issued by Zoom Cloud Solutions, Inc., a majority-owned subsidiary of the Company.
(c) Option is vesting one-third on the original date of grant and one-third in two additional equal annual installments from the original date of grant.

No named executive officers exercised stock options or warrants during 2019.

Narrative Disclosure to Compensation Tables

Employment Agreements

On October 25, 2017, the Company appointed David Knight as Chief Executive Officer and Chairman of the Board. In connection with his appointment, the Company also simultaneously entered into an Employment Agreement with him, pursuant to which he will be employed on an at will basis with an annual salary of $300,000 during the first year of his employment and $350,000 during his second year. He also received options to purchase 3,000,000 shares of the Company’s common stock at an exercise price of $0.90 per share, vesting over two years and 650,000 restricted stock units of which 400,000 vested immediately and the remainder vested in one year. Additionally, Mr. Knight will receive a half of a point in cash for every $100 million over the sale price of $300 million for the Company. Mr. Knight’s employment agreement has expired and he is currently receiving no compensation.

Option Issuances

On April 12, 2018, the Company issued Scott McPherson options to purchase 750,000 shares of the Company's common stock at an exercise price of $0.26 per share that vested immediately. The options expire on April 12, 2023. The fair value of the options was $182,086.

On July 23, 2018, the Company issued David Knight options to purchase 100,000 shares of the Company's common stock at an exercise price of $0.90 per share that vest one-third on the original date of grant and one-third in two additional equal annual installments from the original date of grant. The options expire on July 23, 2023. The fair value of the options was $24,891.

On July 23, 2018, the Company issued Scott McPherson options to purchase 100,000 shares of the Company's common stock at an exercise price of $0.90 per share that vest one-third on the original date of grant and one-third in two additional equal annual installments from the original date of grant. The options expire on July 23, 2023. The fair value of the options was $24,891.

On December 19, 2018, Zoom Solutions, Inc., a majority-owned subsidiary of the Company, issued David Knight options to purchase 500,000 shares of the Company's common stock at an exercise price of $5.00 per share that vested immediately. The options expire on December 19, 2023. The fair value of the options was $253,595.

On December 19, 2018, Zoom Solutions, Inc., a majority-owned subsidiary of the Company,issued Scott McPherson options to purchase 300,000 shares of the Company's common stock at an exercise price of $5.00 per share that vested immediately. The options expire on December 19, 2023. The fair value of the options was $152,157.

On December 19, 2018, Zoom Cloud Solutions, Inc. , a majority-owned subsidiary of the Company, issued David Knight options to purchase 500,000 shares of the Company's common stock at an exercise price of $5.00 per share that vested immediately. The options expire on December 19, 2023. The fair value of the options was $0.

On December 19, 2018, Zoom Cloud Solutions, Inc. , a majority-owned subsidiary of the Company, issued Scott McPherson options to purchase 300,000 shares of the Company's common stock at an exercise price of $5.00 per share that vested immediately. The options expire on December 19, 2023. The fair value of the options was $0.

Directors Compensation Table

The following table shows all compensation paid or granted, during or with respect to the 2019 fiscal year, to each of our directors (other than those who are also our named executive officers) for services rendered to Rego Payment Architectures, Inc. during 2019. In order to conserve cash, our non-employee directors did not receive cash compensation during 2019.

Name	Fees Earned or paid in cash ($)	Stock awards ($)	Option awards ($)	Non-equity incentive plan compensation ($)	Nonqualified deferred compensation earnings ($)	All Other Compensation ($)	Total ($)
Gerald Hannahs (a)	-	-	-	-	-	-	-

(a) At December 31, 2019, Mr. Hannahs held in the aggregate options and warrants to purchase a total of 972,480 shares of the Company's common stock and options to purchase 500,000 shares of Zoom Solutions, Inc. and Zoom Cloud Solutions, Inc. common stock.

Narrative Disclosure to Directors Compensation Table

Our non-employee directors are eligible to receive options, restricted stock, and other equity-linked grants under our 2013 Equity Incentive Plan. We did not pay an annual fee to any of our directors during 2019 as a result of our cost conservation efforts. Each member of our board of directors receives reimbursement of expenses incurred in connection with his or her services as a member of our board or board committees.

On April 12, 2018, the Company issued Gerald Hannahs options to purchase 750,000 shares of the Company's common stock at an exercise price of $0.26 per share that vested immediately. The options expire on April 12, 2023. The fair value of the options was $182,086.

On December 19, 2018, Zoom Solutions, Inc., a majority-owned subsidiary of the Company, issued Gerald Hannahs options to purchase 500,000 shares of the Company's common stock at an exercise price of $5.00 per share that vested immediately. The options expire on December 19, 2023. The fair value of the options was $253,595.

On December 19, 2018, Zoom Cloud Solutions, Inc. , a majority-owned subsidiary of the Company, issued Gerald Hannahs options to purchase 500,000 shares of the Company's common stock at an exercise price of $5.00 per share that vested immediately. The options expire on December 19, 2023. The fair value of the options was $0.

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

The persons or groups known to us to be beneficial owners of more than 5% of our outstanding common stock, Series A Cumulative Convertible Preferred Stock or Series B Cumulative Convertible Preferred Stock as of March 30, 2020, are reflected in the chart below. The following information is based upon Schedules 13D and 13G filed with the Securities and Exchange Commission by the persons and entities shown as of the respective dates appearing

Title of class	Name and address of beneficial owner	Amount and nature of beneficial ownership	Percent of class
Common	John Paul DeJoria Family Trust	18,807,363 (b)	15.3%
Series A Cumulative Convertible Preferred	1888 Century Park East	10,000	9.3%
Series B Cumulative Convertible Preferred	Suite 1600	22,223	78.3%
	Century City, CA 90067		

(a) This table has been prepared based on 119,596,866 shares of our common stock, 107,850 shares of Series A Cumulative Convertible Preferred Stock and 28,378 shares of Series B Cumulative Convertible Preferred Stock outstanding on March 30, 2020.

(b) Consists of 8,310,555 shares of common stock, 20,540 shares underlying warrants exercisable at $0.90 per share, 10,000 shares of Series A convertible preferred stock, convertible into 1,111,111 shares of common stock and 22,223 shares of Series B convertible preferred stock, convertible into 2,222,300 shares of common stock. Also consists of 7,142,857 shares of common stock held in the name of The JP's Nevada Trust. John Paul DeJoria is the settlor of The JP's Nevada Trust and, pursuant to the terms of such trust, may be deemed to have beneficial ownership of such shares.

The following table shows beneficial ownership of the Company common stock as of March 30, 2020, by our directors and our executive officers and by all current directors and executive officers as a group.

Name of beneficial owner	Number of shares of common stock beneficially owned (a)	Percentage of shares outstanding (a)
David Knight	5,962,573(b)	4.8%
Gerald Hannahs	5,161,669(c)	4.2%
Scott McPherson	1,616,666(d)	1.3%
All current directors and executive officers as a group (3 persons)	12,740,908	9.7%

(a) This table has been prepared based on 119,596,866 shares of our common stock outstanding on March 30, 2020. The address for each person listed above is c/o Rego Payment Architectures, Inc., 325 Sentry Parkway, Suite 200, Blue Bell, PA 19422.

(b) Consists of 245,907 shares of common stock, 1.3 million shares underlying options exercisable at $0.90 per share, 2 million shares underlying options exercisable at $0.90 per share, 66,666 shares underlying options exercisable at $0.90 per share and 650,000 shares underlying restricted stock units.

(c) Consists of 855,856 shares of common stock, 22,480 shares underlying warrants exercisable at $0.90 per share, 200,000 shares underlying options exercisable at $0.29 per share and 750,000 shares underlying options exercisable at $0.26 and 30,000 shares of Convertible Preferred A stock, convertible into 3,333,333 shares of common stock held by Hannahs Value Investors, LLC an affiliate of Mr. Hannahs.

(d) Consists of 50,000 shares of common stock, 250,000 shares underlying options exercisable at $0.22 per share, 250,000 shares underlying options exercisable at $0.29 per share, 250,000 shares underlying options exercisable at $0.90 per share, 750,000 options exercisable at $0.26 per share and 66,666 shares underlying options at $0.90 per share.

Transfer Agent

Our Transfer Agent is Island Stock Transfer and their address and phone number are 100 Second Avenue South, Suite 7055, St. Petersburg, Florida 33701; (727) 289-0010.

Securities Authorized for Issuance Under Equity Compensation Plans

The following table provides certain information with respect to all of our equity compensation plans in effect as of December 31, 2019:

EQUITY COMPENSATION PLAN INFORMATION

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (col.a)		Weighted average exercise price of outstanding options, warrants and rights (col. b)	Number of securities remaining available for issuance under equity compensation plans (excluding securities reflected in column (a)) (col c)
Equity compensation plans approved by security holders: (a)	11,160,000	$	0.69	850,000
Equity compensation plans not approved by security holders:	-		-	-
Total	11,160,000	$	0.66	850,000

(a) Equity compensation plans approved by security holders consist of the 2008 Equity Compensation Plan and the 2013 Equity Compensation Plan.

2008 Equity Incentive Plan

We adopted our 2008 Equity Incentive Plan as of March 3, 2008 (the "2008 Plan"). Awards could be made under the 2008 Plan for up to 25,000,000 shares of our common stock in the form of stock options or deferred stock awards. Awards could be made to our employees, officers or directors as well as our consultants or advisors. The 2008 Plan is administered by our board of directors which has full and final authority to interpret the 2008 Plan, select the persons to whom awards may be granted, and determine the amount, vesting and all other terms of any awards.

All stock options granted under the 2008 Plan are exercisable for a period of up to ten years from the date of grant, are subject to vesting as determined by the board upon grant, and have an exercise price equal to not less than the fair market value of our common stock on the date of grant (except for incentive stock options granted to 10% stockholders, which are required to have an exercise price of not less than 110% of the fair market value of the common stock on the date the option is granted). Unless otherwise determined by the board, awards may not be transferred except by will or the laws of descent and distribution. The board has discretion to determine the effect on any award granted under the 2008 Plan of the death, disability, retirement, resignation, termination or other change in employment or other status of any participant in the 2008 Plan.

Upon the occurrence of a "Change in Control", as defined in the 2008 Plan, the board may take any number of actions. These actions include, providing for all options outstanding under the 2008 Plan to be assumed by the acquiring corporation or to become immediately vested and exercisable in full. The original expiration date of March 3, 2018 was extended for one year and the 2008 Plan has now expired.

2013 Equity Incentive Plan

During 2013, the board and our stockholders adopted the 2013 Equity Incentive Plan ("2013 Plan"). Under the 2013 Plan, we are authorized to grant awards of stock options, restricted stock, restricted stock units and other stock-based awards of up to an aggregate of 5,000,000 shares of common stock to any officer, employee, director or consultant. The 2013 Plan is intended to permit stock options granted to employees under the 2013 Plan to qualify as incentive stock options. All options granted under the 2013 Plan, which are not intended to qualify as incentive stock options are deemed to be non-statutory stock options.

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

The Company entered into an agreement with a company owned by the Chief Financial Officer to prepare all corporate income returns related to the Company and its subsidiaries. For the year ended 2019, the Company expensed $10,000 to this company.

The Company has entered into a consulting agreement with International Corporate Management, LLC owned by Peter Pelullo, at a cost of $15,000 per month, plus expenses. During the years ended December 31, 2019 and 2018, the Company has expensed $180,000 to the consulting company.

The Company has entered into a consulting agreement with Luke Pelullo, the son of Peter Pelullo, at a cost of $5,000 per month, plus expenses. During the years ended December 31, 2019 and 2018, the Company has expensed $60,000 and $55,000 to this consultant.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

Audit Fees

The fees billed for professional services rendered by our principal accountant, Morison Cogen, LLP, for the audit of our annual financial statements for the years ended December 31, 2019 and 2018 and the review of the financial statements included in each of our quarterly reports during the fiscal years ended December 31, 2019 and 2018 were $72,650 and $70,000, respectively.

Audit-Related Fees

During the fiscal years ended December 31, 2019 and 2018, there were no fees billed for audit-related services by Morison Cogen, LLP.

Tax Fees

During the fiscal years ended December 31, 2019 and 2018, there were no fees billed for tax compliance, tax advice and/or tax planning by Morison Cogen, LLP.

All Other Fees

During the fiscal years ended December 31, 2019 and 2018, there were no additional fees billed for products and services provided by Morison Cogen, LLP other than those set forth above.

All services provided by Morison Coger, LLP are pre-approved by our Board of Directors.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

(a) Audited financial statements set forth herein.
(b) The following exhibits are filed as part of this report.

Exhibt Number	Description
3.1	Certificate of Incorporation (incorporated by reference to Exhibit 3.1 to the Company's registration statement on Form S-1 (Reg. # 333-152050) filed with the Commission on July 1, 2008).
3.2	Certificate of Ownership (incorporated by reference to Exhibit 3.1 to the Company's current report on Form 8-K filed with the Commission on August 30, 2011).
3.3	Certificate of Amendment of Certificate of Incorporation (incorporated by reference to Exhibit 3.1 to the Company's current report on Form 8-K filed with the Commission on December 19, 2013).
3.4	Certificate of Amendment of Certificate of Incorporation (incorporated by reference to Exhibit 3.1 to the Company's current report on Form 8-K filed with the Commission on August 20, 2014).
3.5	Amended and Restated Bylaws (incorporated by reference to Exhibit 3.1 to the Company's current report on Form 8-K filed with the Commission on March 7, 2012).
3.6	Certificate of Designations of Preferences, Rights and Limitations of Series A Cumulative Convertible Preferred Stock (incorporated by reference to Exhibit 3.1 to the Company's current report on Form 8-K filed with the Commission on January 29, 2014).
3.7	Certificate of Designations of Preferences, Rights and Limitations of Series B Cumulative Convertible Preferred Stock (incorporated by reference to Exhibit 3.1 to the Company's current report on Form 8-K filed with the Commission on October 31, 2014).
3.8	Certificate of Amendment of Incorporation (incorporated by reference to Exhibit 3.8 to the Company's current Form 10-K filed with the Commission on March 31, 2017.
4.1	Specimen Common Stock Certificate (incorporated by reference to Exhibit 4.1 to the Company's registration statement on Form S-1/A (Reg. # 333-152050) filed with the Commission on August 13, 2008).
4.2	Form of Securities Purchase Agreement (incorporated by reference to Exhibit 10.1 to the Company's current report on Form 8-K filed with the Commission on February 13, 2012).
4.3	Form of Warrant (incorporated by reference to Exhibit 10.2 to the Company's current report on Form 8-K filed with the Commission on February 13, 2012).
4.4	Form of Securities Purchase Agreement (incorporated by reference to Exhibit 10.1 to the Company's current report on Form 8-K filed with the Commission on April 3, 2013).
4.5	Form of Securities Purchase Agreement (incorporated by reference to Exhibit 10.1 to the Company's current report on Form 8-K filed with the Commission on May 29, 2013).
4.6	Form of Warrant to Purchase Common Stock (incorporated by reference to Exhibit 10.2 to the Company's current report on Form 8-K filed with the Commission on May 29, 2013).

4.7	Form of Note and Warrant Purchase Agreement (incorporated by reference to Exhibit 10.1 to the Company's current report on Form 8-K filed with the Commission on December 31, 2013).
4.8	Form of Securities Purchase Agreement (incorporated by reference to Exhibit 10.1 to the Company's current report on Form 8-K filed with the Commission on January 29, 2014).
4.9	Form of Warrant (incorporated by reference to Exhibit 10.2 to the Company's current report on Form 8-K filed with the Commission on January 29, 2014).
4.10	Form of Securities Purchase Agreement (incorporated by reference to Exhibit 10.1 to the Company's current report on Form 8-K filed with the Commission on October 31, 2014).
4.11	Form of Warrant (incorporated by reference to Exhibit 10.2 to the Company's current report on Form 8-K filed with the Commission on October 31, 2014).
10.1*	Employment Agreement between the Company and Ernest Cimadamore (incorporated by reference to Exhibit 10.2 to the Company's registration statement on Form S-1 (Reg. # 333-152050) filed with the Commission on July 1, 2008).
10.2*	2008 Equity Incentive Plan (incorporated by reference to Exhibit 4.2 to the Company's registration statement on Form S-1 (Reg. # 333-152050) filed with the Commission on July 1, 2008).
10.3*	2013 Equity Incentive Plan (incorporated by reference to Exhibit 10.1 to the Company's current report on Form 8-K filed with the Commission on March 8, 2013).
10.4	Form of Securities Purchase Agreement (March 2015 Secured Convertible Notes) (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on March 12, 2015)
10.5	Form of Secured Convertible Promissory Note (March 2015 Secured Convertible Notes) (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the Commission on March 12, 2015)
10.6	Form of Security Agreement (March 2015 Secured Convertible Notes) (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed with the Commission on March 12, 2015)
10.7	Form of Securities Purchase Agreement (May 2015 Secured Convertible Notes) (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on May 11, 2015)
10.8	Form of Secured Convertible Promissory Note (May 2015 Secured Convertible Notes) (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the Commission on May 11, 2015)
10.9	Form of Security Agreement (May 2015 Secured Convertible Notes) (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed with the Commission on May 11, 2015)
10.10	Form of Promissory Note Agreement (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed with the Commission on November 6, 2015)
10.11	Form of Promissory Note Agreement (including commitment fee) (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q filed with the Commission on November 6, 2015)
10.12	Form of Warrant (incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q filed with the Commission on November 6, 2015)
10.13	Form of Amendment to Promissory Note Agreement (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed with the Commission on February 25, 2016)
10.14*	Coyne Employment Agreement (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 10-Q filed with the Commission on May 13, 2016)

10.15	ICM Consulting Agreement (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 10-Q filed with the Commission on May 13, 2016)
10.16	Form of Securities Purchase Agreement (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on August 29, 2016)
10.17	Form of Secured Convertible Promissory Note (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the Commission on August 29, 2016)
10.18	Form of Amended and Restated Security Agreement (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed with the Commission on August 29, 2016)
10.19	Form of Note Exchange Agreement (incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K filed with the Commission on August 29, 2016)
10.20*	Employment Agreement between the Company and David Knight (incorporated by reference to Exhibit 10.1 to the Company's Form 10Q filed with the Commission on November 20, 2017).
10.21*	License Agreement between the Company and Crowd Cart, Inc. (incorporated by reference to Exhibit 10.1 to the Company's Form 10-Q filed with the Commission on May 15, 2018).
10.22*	Form of Simple Agreement For Future Equity (incorporated by reference to Exhibit 10.2 to the Company's Form 10-Q filed with the Commission on May 15, 2018).
10.23	Convertible Debenture dated as of December 15, 2019 issued by Rego Payment Architectures, Inc. in favor of Nehemiah Partners I, LP
21.1**	Subsidiaries of the Registrant.
31.1**	Certification of the principal executive officer of the Company, pursuant to Securities Exchange Act Rule 13a-14(a)
31.2**	Certification of the principal financial officer of the Company, pursuant to Securities Exchange Act Rule 13a-14(a)
32.1**	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of The Sarbanes-Oxley Act of 2002, signed by the chief executive officer of the Company
32.2**	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of The Sarbanes-Oxley Act of 2002, signed by the chief financial officer of the Company
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
101.PRE**	XBRL Taxonomy Extension Presentation Linkbase Document

* Management contract or compensatory plan or arrangement
**filed herewith

ITEM 16. FORM 10-K SUMMARY

Not provided.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized, on this 27th day of May, 2020.

Rego Payment Architectures, Inc.

By: /s/ David A. Knight
David A. Knight, Chairman, Chief Executive Officer and Principal Executive Officer

/s/ Scott A McPherson
Chief Financial Officer and Principal Accounting Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report on Form 10-K has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated:

Signature	**Title**	**Date**
/s/ David A. Knight David A. Knight	Chairman, Chief Executive Officer and Principal Executive Officer	May 27, 2020
/s/Scott A. McPherson Scott A. McPherson	Chief Financial Officer and Principal Accounting Officer	May 27, 2020
/s/ Gerald Hannahs Gerald Hannahs	Director	May 27, 2020

Rego Payment Architectures, Inc.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and
Stockholders of Rego Payment Architectures, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Rego Payment Architectures, Inc. (the Company) as of December 31, 2019 and 2018, and the related consolidated statements of operations, comprehensive loss, changes in stockholders' deficit, and cash flows for each of the two years in the period ended December 31, 2019, and the related notes (collectively referred to as the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2019, in conformity with accounting principles generally accepted in the United States of America.

Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the consolidated financial statements, the Company's losses from development activities raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 2. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Morison Cogen LLP

We have served as the Company's auditor since 2008.

Blue Bell, Pennsylvania
May 27, 2020

Rego Payment Architectures, Inc.
Consolidated Balance Sheets

	December 31, 2019	December 31, 2018
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 430,076	$ 10,733
Accounts receivable	-	1,923
Prepaid expenses	-	19,505
Deposits	341	26,218
TOTAL CURRENT ASSETS	430,417	58,379
PROPERTY AND EQUIPMENT		
Computer equipment	5,129	5,129
Less: accumulated depreciation	(5,129)	(5,129)
	-	-
OTHER ASSETS		
Patents and trademarks, net of accumulated amortization of $192,558 and $163,240	354,624	383,942
Investment	-	115,000
	354,624	498,942
TOTAL ASSETS	$ 785,041	$ 557,321
LIABILITIES AND STOCKHOLDERS' DEFICIT		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 4,961,827	$ 4,119,976
Accounts payable and accrued expenses - related parties	701,187	428,249
Loans payable	85,600	89,600
Deferred revenue	200,000	200,000
10% Secured convertible notes payable - stockholders	2,813,157	3,163,157
Notes payable - stockholders, net of discount of $40,031 and $0	1,161,969	134,000
4% Secured convertible notes payable - stockholders	7,432,250	6,487,250
Preferred stock dividend liability	6,108,122	5,021,000
TOTAL CURRENT LIABILITIES	23,464,112	19,643,232
CONTINGENCIES		
STOCKHOLDERS' DEFICIT		
Preferred stock, $.0001 par value; 2,000,000 preferred shares authorized; 195,500 preferred shares Series A authorized; 107,850 shares issued and outstanding at December 31, 2019 and December 31, 2018	11	11
Preferred stock, $.0001 par value; 2,000,000 preferred shares authorized; 222,222 preferred shares Series B authorized; 28,378 shares issued and outstanding at December 31, 2019 and December 31, 2018	3	3
Preferred stock, $.0001 par value; 2,000,000 preferred shares authorized; 150,000 preferred shares Series C authorized; 0 shares issued and outstanding at December 31, 2019 and December 31, 2018	-	-
Common stock, $ .0001 par value; 230,000,000 shares authorized; 119,596,866 shares issued and outstanding at December 31, 2019 and December 31, 2018	11,960	11,960
Additional paid in capital	60,233,849	59,548,971
Accumulated deficit	(83,130,943)	(78,880,134)
Noncontrolling interests	206,049	233,278
STOCKHOLDERS' DEFICIT	(22,679,071)	(19,085,911)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	$ 785,041	$ 557,321

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

Rego Payment Architectures, Inc.
Consolidated Statements of Operations

	For the Years Ended December 31, 2019	For the Years Ended December 31, 2018
SALES	$ 34,485	$ 46,755
OPERATING EXPENSES		
Sales and marketing	45,308	19,194
Product development	237,658	867,887
General and administrative	2,131,027	4,197,375
Total operating expenses	2,413,993	5,084,456
NET OPERATING LOSS	(2,379,508)	(5,037,701)
OTHER EXPENSE		
Interest expense	(696,408)	(933,260)
Loss on investment	(115,000)	-
	(811,408)	(933,260)
NET LOSS	(3,190,916)	(5,970,961)
LESS: Accrued preferred dividends	(1,087,122)	(1,067,122)
Noncontrolling interest deemed dividend distribution	-	(250,000)
Net loss attributable to noncontrolling interests	7,229	270,671
NET LOSS ATTRIBUTABLE TO COMMON STOCKHOLDERS	$ (4,270,809)	$ (7,017,412)
BASIC AND DILUTED NET LOSS PER COMMON SHARE	$ (0.04)	$ (0.06)
BASIC AND DILUTED WEIGHTED AVERAGE COMMON SHARES OUTSTANDING	119,596,866	119,013,533

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

Rego Payment Architectures, Inc.
Consolidated Statement of Changes in Stockholders' Deficit
For the years ended December 31, 2019 and 2018

	Preferred Stock Series A		Preferred Stock Series B		Preferred Stock Series C		Common Stock		Additional Paid-In Capital	Deferred Compensation	Accumulated Deficit	Noncontrolling Interests	Total
	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount					
Balance, December 31, 2017	107,850	$ 11	28,378	$ 3	-	$ -	118,596,866	$11,860	$56,390,489	$ (31,250)	$(72,112,722)	$ -	$(15,741,609)
Issuance of warrants for notes payable extensions	-	-	-	-	-	-	-	-	343,196	-	-	-	343,196
Issuance of common stock for settlement of accounts payable	-	-	-	-	-	-	500,000	50	162,450	-	-	-	162,500
Issuance of common stock for investment	-	-	-	-	-	-	500,000	50	114,950	-	-	-	115,000
Issuance of subsidiary preferred stock for investment, net of discount	-	-	-	-	-	-	-	-	-	-	-	110,041	110,041
Accretion of subsidiary preferred stock discount beneficial conversion feature												139,959	139,959
Fair value of options for services	-	-	-	-	-	-	-	-	2,537,886	-	-	14,033	2,551,919
Amortization of deferred compensation	-	-	-	-	-	-	-	-	-	31,250	-	-	31,250
Accrued preferred dividends	-	-	-	-	-	-	-	-	-	-	(1,067,122)	(3,334)	(1,070,456)
Conversion of convertible notes payable for equity	-	-	-	-	-	-	-	-	-	-	-	243,250	243,250
Net loss	-	-	-	-	-	-	-	-	-	-	(5,700,290)	(270,671)	(5,970,961)
Balance, December 31, 2018	107,850	11	28,378	3	-	-	119,596,866	11,960	59,548,971	-	(78,880,134)	233,278	(19,085,911)
Issuance of options/warrants with notes payable	-	-	-	-	-	-	-	-	126,018	-	-	-	126,018
Fair value of options/warrants for services	-	-	-	-	-	-	-	-	558,860	-	-	-	558,860
Accrued preferred dividends	-	-	-	-	-	-	-	-	-	-	(1,067,122)	(20,000)	(1,087,122)
Net loss	-	-	-	-	-	-	-	-	-	-	(3,183,687)	(7,229)	(3,190,916)
Balance December 31, 2019	107,850	$ 11	28,378	$ 3	-	-	119,596,866	$11,960	$60,233,849	$ -	$(83,130,943)	$ 206,049	$(22,679,071)

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

Rego Payment Architectures, Inc.
Consolidated Statements of Cash Flows

	For the Years Ended December 31, 2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$ (3,190,916)	$ (5,970,961)
Adjustments to reconcile net loss to net cash used in operating activities:		
Fair value of warrants issued for extension of notes payable	-	343,196
Fair value of warrants issued for interest on notes payable	21,305	-
Fair value of options issued in exchange for services	558,860	2,551,919
Fair value of common stock issued in exchange for services	-	193,750
Accretion of discount on notes payable	64,682	6,421
Depreciation and amortization	29,318	29,573
Loss on investment	115,000	-
(Increase) decrease in assets		
Accounts receivable	1,923	(1,923)
Prepaid expenses	19,505	37,795
Deposits	25,877	(25,000)
Increase in liabilities		
Accounts payable and accrued expenses	779,326	949,859
Accounts payable and accrued expenses - related parties	335,463	380,148
Deferred revenue	-	200,000
Net cash used in operating activities	(1,239,657)	(1,305,223)
CASH FLOWS FROM INVESTING ACTIVITIES		
Patent expenses	-	(2,069)
Net cash used in investing activities	-	(2,069)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loans payable	-	136,075
Repayment of loans payable	(4,000)	(73,475)
Proceeds from notes payable - stockholders	1,075,000	720,943
Repayment of notes payable - stockholders	(7,000)	(23,500)
Proceeds from convertible notes payable - stockholders	595,000	57,500
Proceeds from convertible notes payable	-	243,250
Proceeds from sale of subsidiary preferred stock	-	250,000
Net cash provided by financing activities	1,659,000	1,310,793
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	419,343	3,501
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	10,733	7,232
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 430,076	$ 10,733
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during year for:		
Interest	$ -	$ 735
Income taxes	$ -	$ -
SUPPLEMENTAL DISCLOSURE OF NON-CASH FINANCING ACTIVITIES:		
Accrued preferred dividends	$ 1,087,122	$ 1,070,455
Exchange of 10% secured convertible notes payable for 4.0% secured convertible notes payable	$ 350,000	$ 297,107
Accrued interest as discount on notes payable	$ 104,713	$ -
Issuance of common stock for investment	$ -	$ 115,000
Conversion of convertible notes payable for equity	$ -	$ 243,250
Deemed dividend distribution in conjunction with ZS Preferred Series A Offering	$ -	$ 250,000
Issuance of common stock for settlement of accounts payable	$ -	$ 162,500

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

Rego Payment Architectures, Inc.
Notes to the Consolidated Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of the Business
Rego Payment Architectures, Inc. (“REGO”) was incorporated in the state of Delaware on February 11, 2008.

Rego Payment Architectures, Inc. and its subsidiaries (collectively, except where the context requires, the “Company”) is a technology company that will deliver an online and mobile payment platform solution for the family. The system allows parents and their children to manage, allocate funds and track their expenditures, savings and charitable giving on both a mobile device and online through the Company’s web portal. The Company’s system is designed to allow a minor to transact both online and in traditional brick and mortar retail outlets using the telephone handset as a payment device. The new payment platform automatically monitors regulatory compliance in real-time for all transactions, including protection of vendors from unintended regulatory infractions. In addition, utilizing the same architecture, individual parents will be able to create a contract with each child that sets the rules and parameters of how the child may use the mobile payment system with as much or as little parental oversight as the parent determines is necessary. The Company is including specialized technology that increases and improves the security of the system and protects the user’s identity while in use.

Management believes that building on its Children’s Online Privacy Protection Act (“COPPA”) advantage, the future of the Company will be based on the foundational architecture of the system that will allow its use across multiple financial markets where secure controlled payments are needed. For the under seventeen years of age market, the Company will use its OINK.com brand. The Company intends to license in each alternative field of use the ability for its partners, distributors and/or value added resellers to private label each of the alternative markets. These partners will deploy, customize and support each implementation under their own label but with acknowledgement of the Company’s proprietary intellectual assets as the base technology. Management believes this approach will enable the Company to reduce expenses while broadening its reach.

Revenues generated from this system are anticipated to come from multiple sources depending on the level of service and facilities requested by the parent. There will be levels of subscription revenue paid monthly, service fees, transaction fees and in some cases revenue sharing with banking and distribution partners.

ZOOM Payment Solutions, LLC (“ZPS, LLC”)

ZPS, LLC was formed in the state of Delaware on December 15, 2017, and Rego Payment Architectures, Inc. owned 78% of ZPS, LLC. As of July 13, 2018, ZPS, LLC was dissolved.

ZOOM Solutions, Inc. (“ZS”)

ZS (formerly Zoom Payment Solutions, Inc.) was incorporated in the state of Delaware on February 16, 2018 as a subsidiary of Rego Payment Architectures, Inc. Rego Payment Architectures, Inc. owns 78% of ZS. ZS is the holding company for various subsidiaries that will utilize REGO’s payment platform to address emerging markets.

The Company has licensed its technology to ZS, as the Company determined that to extend the Company’s business runway, the Company needed to adapt its technology to include blockchain, token development and cloud storage. ZS was formed to implement these specified new technologies and growth opportunities in conjunction with other business partners, as appropriate.

ZOOM Payment Solutions, Inc. (“ZPS”)

ZPS (formerly Zoom Payment Solutions USA, Inc.) was incorporated in the state of Nevada on December 6, 2017. ZPS is a wholly owned subsidiary of ZS with the core focus on providing mobile payments solutions. ZPS has secured a sublicense from ZS for the REGO payment platform and access to the patents from REGO.

ZOOM Blockchain Solutions, Inc. (“ZBS”)

ZBS was incorporated in the state of Delaware on April 20, 2018 as an 85% owned subsidiary of ZS. This company focuses on blockchain as a business solution for the retail and Consumer Packaged Goods (“CPG”) industries.

ZOOM Cloud Solutions, Inc. (“ZCS”)

ZCS (formerly Zoom Canada Solutions, Inc.) was incorporated in the state of Delaware on April 20, 2018 as an 85% owned subsidiary of ZS. ZCS is to provide highly secure cloud storage as a service with the following benefits:

END-TO-END PRIVATE CONNECTIVITY – The network of meshed carrier class private circuits will provide a secure, low latency private cloud experience. The speed, security, and bandwidth are simultaneously increased in the network, as well as the enterprises productivity.

UNLIMITED CLOUD CAPABILITES - The data resides in a dedicated environment called a Hyperscale Converged Cloud Infrastructure, which is a leading-edge technology. Through an intuitive platform interface, the team will design, test, develop, manage, and deploy networks from anywhere. This includes, but is not limited to, virtualized, scalable work environments, scalable storage capabilities, state-of-the-art voice and unified communications solutions, cloud computing, backup and more.

SMARTLY DESIGNED - The Cloud platform will be custom-engineered on purpose-built hardware to deliver a highly-efficient and dense infrastructure to the market. Through proprietary Software Defined Distributed Virtual Routing, the consumer gets increased network speeds, agility, scalability and reduced latency as well as application mobility, security, data integrity and, most importantly, control.

ZOOM Auto Solutions, Inc. (“ZAS”)

ZAS (formerly Zoom Mining Solutions) was incorporated in the State of Delaware on February 19, 2018 as a wholly owned subsidiary of ZCS. It is now a wholly owned subsidiary of ZBS. There were minimal operations during the year 2019.

The Company’s principal office is located in Blue Bell, Pennsylvania.

Basis of Presentation
The accompanying consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America (“US GAAP”). All significant intercompany transactions and balances have been eliminated in consolidation.

The Company’s activities are subject to significant risks and uncertainties, including failing to secure additional financing to operationalize the Company’s current technology before another company develops similar technology to compete with the Company.

Use of Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Fair Value of Financial Instruments
The Company’s financial instruments consist of accounts receivable, accounts payable and accrued expenses and notes payable. The carrying value of accounts receivable, accounts payable and accrued expenses approximate their fair value because of their short maturities. The Company believes the carrying amount of its notes payable approximate fair value based on rates and other terms currently available to the Company for similar debt instruments.

The Company follows FASB ASC 820, *Fair Value Measurements and Disclosures*, and applies it to all assets and liabilities that are being measured and reported on a fair value basis. The statement requires that assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1: Quoted market price in active markets for identical assets or liabilities

Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data

Level 3: Unobservable inputs that are not corroborated by market data

The level in the fair value hierarchy within which a fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

Concentration of Credit Risk Involving Cash
The Company may have deposits with a financial institution which at times exceed Federal Deposit Insurance Corporation ("FDIC") coverage. The Company has not experienced any losses from maintaining cash accounts in excess of federally insured limits.

Cash and Cash Equivalents
For purposes of reporting cash flows, the Company considers all cash accounts, which are not subject to withdrawal restrictions or penalties, and certificates of deposit and commercial paper with original maturities of 90 days or less to be cash or cash equivalents.

Accounts Receivable
Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to trade accounts receivable. Management believes that all of the accounts receivable are collectible and has not provided for uncollectible amounts nor written off any amounts.

Property and Equipment
Property, equipment and leasehold improvements are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Maintenance and repairs of property are charged to operations, and major improvements are capitalized. Upon retirement, sale, or other disposition of property and equipment, the costs and accumulated depreciation are eliminated from the accounts, and any resulting gain or loss is included in operations. The cost of leasehold improvements is amortized over the lesser length of the related leases or the estimated useful lives of the assets.

Patents and Trademarks
The Company has four issued patents with the United States Patent and Trademark Office ("USPTO"), entitled "System and Method for Verifying the Age of an Internet User," "System and Method for Virtual Piggy Bank Wish-List," "Parent Match" and "System and Method for Virtual Piggy Bank." The Company has filed for one provisional U.S. patent application, as well as twelve non-provisional U.S. patent applications, two of which are pending, four of which have been allowed, and seven of which have been abandoned. Additionally, the Company has been granted two patents, entitled "Virtual Piggy Bank" and "Parent Match," in each of Germany, Canada, and Australia. The Company also has patents pending in the Republic of Korea under the Patent Cooperation Treaty ("PCT"). Costs associated with the registration and legal defense of the patents have been capitalized and are amortized on a straight-line basis over the estimated lives of the patents.

Long-Lived Assets
The Company evaluates the recoverability of its long-lived assets in accordance with FASB ASC 360 *Property, Plant, and Equipment.* The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of long-lived assets are measured by a comparison of the carrying amount of an asset to future cash flows expected to be generated by the asset, undiscounted and without interest or independent appraisals. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds the fair value of the assets.

Deferred Financing Costs
Costs incurred in securing long-term debt are deferred and amortized, as a charge to interest expense, over the term of the related debt. In accordance with FASB ASU No. 2015-03, *Interest – Imputation of Interest (Subtopic 835-30), Simplifying the Presentation of Debt Issuance Costs*, the Company presents debt issuance costs in the balance sheet as a direct deduction from the carrying amount of the debt liability, consistent with debt discounts. In the case of long-term debt modifications, the Company follows the guidance provided by FASB ASC 470-50, *Debt-Modification and Extinguishments*.

Convertible Notes Payable
Convertible notes payable, for which the embedded conversion feature does not qualify for derivative treatment, are evaluated to determine if the effective or actual rate of conversion per the terms of the convertible note agreement is below market value. In these instances, the Company accounts for the value of the beneficial conversion feature ("BCF") as a debt discount, which is then accreted to interest expense over the life of the related debt using the straight-line method, which approximates the effective interest method.

Revenue Recognition

In accordance with FASB ASC 606, *Revenue from Contracts with Customers*, the Company recognizes revenue when it satisfies performance obligations, by transferring promised goods or services to customers, in an amount that reflects the consideration to which the Company expects to be entitled in exchange for fullfilling those performance obligations.

Revenue for the years ended December 31, 2019 and 2018 was derived from outsourcing some of our engineers to a technology company. The cost of payroll of for the years ended December 31, 2019 and 2018 was $27,488 and $37,404 and has been included in product development costs.

Income Taxes
The Company follows FASB ASC 740 when accounting for income taxes, which requires an asset and liability approach to financial accounting and reporting for income taxes. Deferred income tax assets and liabilities are computed annually for temporary differences between the financial statements and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. Income tax expense is the tax payable or refundable for the period plus or minus the change during the period in deferred tax assets and liabilities. Tax years from 2016 through 2019 remain subject to examination by major tax jurisdictions.

Stock-based Payments
The Company accounts for stock-based compensation under the provisions of FASB ASC 718, *Compensation—Stock Compensation,* which requires the measurement and recognition of compensation expense for all stock-based awards made to employees and directors based on estimated fair values on the grant date. The Company estimates the fair value of stock-based awards on the date of grant using the Black-Scholes model. The value of the portion of the award that is ultimately expected to vest is recognized as expense over the requisite service periods using the straight-line method. In June 2018, the FASB issued ASU No. 2018-07, *Compensation – Stock Compensation (Topic 718), Improvements to Nonemployee Share-Based Payment Accounting.* The amendments in this Update expand the scope of Topic 718 to include share-based payment transactions for acquiring goods and services from nonemployees. Prior to this Update, Topic 718 applied only to share-based transactions to employees. Consistent with the accounting requirement for employee share-based payment awards, nonemployee share-based payment awards within the scope of Topic 718 are measured at grant-date fair value of the equity instruments that an entity is obligated to issue when the good has been delivered or the service has been rendered and any other conditions necessary to earn the right to benefit from the instruments have been satisfied. The amendments in this Update are effective for public business entities for fiscal years beginning after December 15, 2018, including interim periods within that fiscal year. The adoption of this pronouncement on June 30, 2018 had no material impact on the Company's consolidated financial statements.

Advertising Costs
Advertising costs are expensed as incurred. Advertising costs were $0 for the years ended December 31, 2019 and 2018. These costs when incurred are included in sales and marketing expenses.

Product Development Costs
In accordance with FASB ASC 730, research and development costs are expensed when incurred. Product and development costs were $237,658 and $867,887 for the years ended December 31, 2019 and 2018.

Loss Per Share
The Company follows FASB ASC 260 when reporting Earnings Per Share resulting in the presentation of basic and diluted earnings per share. Because the Company reported a net loss for each of the years ended December 31, 2019 and 2018, common stock equivalents, including preferred stock, stock options and warrants were anti-dilutive; therefore, the amounts reported for basic and diluted loss per share were the same.

Segment Information
The Company is organized and operates as one operating segment. In accordance with FASB ASC 280, *Segment Reporting*, the chief operating decision-maker has been identified as the Chief Executive Officer, who reviews operating results to make decisions about allocating resources and assessing performance for the entire Company subject to Board approval. Since the Company operates in one segment and provides one group of similar products, all financial segment and product line information required by FASB ASC 280 can be found in the consolidated financial statements.

Recently Adopted Accounting Pronouncements
In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)* and subsequent related updates. The core principle of Topic 842 is that a lessee should recognize the assets and liabilities that arise from leases. The Company adopted the standard effective January 1, 2019, however, since the Company is not obligated under any long-term non-cancellable operating lease, there was no effect on the consolidated financial statements. The Company has elected not to recognize right-of-use assets and lease liabilities arising from short-term leases.

Recently Issued Accounting Pronouncements Not Yet Adopted
In November 2019, the FASB issued ASU No. 2019-08, *Compensation – Stock Compensation (Topic 718)* and *Revenue from Contracts with Customers (Topic 606), Codification Improvements – Share-Based Consideration Payable to a Customer*. The amendments in this Update require that an entity measure and classify share-based payment awards granted to a customer by applying the guidance in Topic 718. The amount recorded as a reduction of the transaction price is required to be measured on the basis of the grant-date fair value of the share-based payment award in accordance with Topic 718. The grant date is the date at which a grantor (supplier) and a grantee (customer) reach a mutual understanding of the key terms and conditions of a share-based payment award. For entities that have not yet adopted the amendments in Update 2018-07, the amendments in this Update are effective for (1) public business entities in fiscal years beginning after December 15, 2019, and interim periods within those fiscal years, and (2) other than public business entities in fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. For entities that have adopted the amendments in Update 2018-07, the amendments in this Update are effective in fiscal years beginning after December 15, 2019, and interim periods within those fiscal years.

In December 2019, the FASB issued ASU No. 2019-12, *Income Taxes (Topic 740), Simplifying the Accounting for Income Taxes*. The amendments in this Update simplify the accounting for income taxes by removing certain exceptions to the general principles in Topic 740. The amendments also improve consistent application of and simplify GAAP for other areas of Topic 740 by clarifying and amending existing guidance. For public business entities, the amendments in this Update are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022.

NOTE 2 – GOING CONCERN

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. The Company has incurred significant losses and experienced negative cash flow from operations since inception. These conditions raise substantial doubt about the Company's ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Since inception, the Company has focused on developing and implementing its business plan. The Company believes that its existing cash resources will not be sufficient to sustain operations during the next twelve months. The Company currently needs to generate revenue in order to sustain its operations. In the event that the Company cannot generate sufficient revenue to sustain its operations, the Company will need to reduce expenses or obtain financing through the sale of debt and/or equity securities. The issuance of additional equity would result in dilution to existing shareholders. If the Company is unable to obtain additional funds when they are needed or if such funds cannot be obtained on terms acceptable to the Company, the Company would be unable to execute upon the business plan or pay costs and expenses as they are incurred, which would have a material, adverse effect on the business, financial condition and results of operations.

The Company's current monetization model is to derive revenues from levels of service fees, transaction fees and in some cases revenue sharing with banking and distribution partners. As these bases of revenues grow, the Company expects to generate additional revenue to support operations.

As of May 27, 2020, the Company has a cash position of approximately $195,000. Based upon the current cash position and the Company's planned expense run rate, management believes the Company has funds currently to finance its operations through June 2020.

NOTE 3 – PROPERTY AND EQUIPMENT

The Company's depreciation and amortization policies on property and equipment are as follows:

	Useful life (in years)
Computer equipment	3 - 5
Furniture and fixtures	7

Depreciation expense related to property and equipment was $0 and $356 for the years ended December 31, 2019 and 2018 and is included in general and administrative expenses.

NOTE 4 - PATENTS AND TRADEMARKS

Costs associated with the registration of the patents have been capitalized and are amortized on a straight-line basis over the estimated lives of the patents (20 years). The trademark is also being amortized on a straight-line basis over its estimated useful life of 20 years. At December 31, 2019 and 2018, capitalized patent and trademark costs, net of accumulated amortization, were $354,624 and $383,942. Amortization expense for patents and trademarks was $29,318 for the years ended December 31, 2019 and 2018.

NOTE 5 – INVESTMENT

In April 2018, Crowd Cart, Inc. issued 500,000 shares of its stock to the Company, representing a 5% ownership interest in Crowd Cart, Inc. and the Company issued 500,000 shares of its common stock to Crowd Cart, Inc., at a fair value of $115,000, pursuant to a Stock Issuance and Stock Option Agreement. Crowd Cart, Inc. had the option to receive an additional 500,000 shares of the Company's common stock upon either:

1. The formation of Zoom Mining Solutions, Inc. and the closing on a minimum 200 bitcoin mining machines being acquired into Zoom Mining Solutions, Inc. or

2. The contribution of $500,000 in equity capital into Zoom Payment Solutions by investors introduced by Crowd Cart.

The option expired unexercised July 30, 2018.

In accordance with FASB ASC 320, *Investments – Other,* the Company has determined that the investment is impaired other than temporarily and has recognized an impairment loss during the year ended December 31, 2019, in the amount of $115,000..

NOTE 6 – ACCOUNTS PAYABLE AND ACCRUED EXPENSES – RELATED PARTIES

The Company owed the current Chief Executive Officer a total of $392,371 and $210,032 as of December 31, 2019 and 2018, including unpaid salary of $391,836 and $207,845 and expenses of $535 and $2,187.

The Company owed the Chief Financial Officer a total of $118,596 and $84,296 as of December 31, 2019 and December 31, 2018, including unpaid salary of $118,956 and $84,256 and expenses of $0 and $40.

The Company owed a company owned by a previously more than 5% beneficial owner $158,220 and $113,920 as of December 31, 2019 and 2018.

Additionally as of December 31, 2019 and 2018, the Company owed the son of a previously more than 5% beneficial owner $32,000 and $20,000, pursuant to a consulting agreement.

NOTE 7 – LOANS PAYABLE

During the years ended December 31, 2019 and 2018, the Company received loans in the amount of $0 and $136,075 with no formal repayment terms. Additionally, the Company received $0 and 76,160 for loans after May 22, 2018 that bear interest at 10%, during the years ended December 31, 2019 and 2018. The Company repaid $4,000 and $73,475 of these loans during the years ended December 31, 2019 and 2018. The balance of the loans payable as of December 31, 2019 and December 31, 2018 was $85,600 and $89,600. Interest accrued on the loans was $15,118 and $9,253 as of December 31, 2019 and December 31, 2018. Interest expense related to these loans payable was $5,865 and $4,189 for the years ended December 31, 2019 and 2018.

NOTE 8 – DEFERRED REVENUE

The Company received $200,000 in May 2018 as a down payment to develop software for the automotive industry. This will be a business to business and a business to consumer application intended to remove friction in the industry and provide an improved and trusted consumer experience.

NOTE 9 – 10% SECURED CONVERTIBLE NOTES PAYABLE - STOCKHOLDERS

On March 6, 2015, the Company, pursuant to a Securities Purchase Agreement (the “Purchase Agreement”), issued $2,000,000 aggregate principal amount of its 10% Secured Convertible Promissory Notes due March 5, 2016 (the “Notes”) to certain stockholders. On May 11, 2015, the Company issued an additional $940,000 of Notes to stockholders. The maturity dates of the Notes have been extended most recently from September 6, 2019 to September 6, 2020, with the consent of the Note holders.

The Notes are convertible by the holders, at any time, into shares of the Company’s Series B Preferred Stock at a conversion price of $90.00 per share, subject to adjustment for stock splits, stock dividends and similar transactions with respect to the Series B Preferred Stock only. Each share of Series B Preferred Stock is currently convertible into 100 shares of the Company’s common stock at a current conversion price of $0.90 per share, subject to anti-dilution adjustment as described in the Certificate of Designation of the Series B Preferred Stock. In addition, pursuant to the terms of a Security Agreement entered into on May 11, 2015 by and among the Company, the Investors and a collateral agent acting on behalf of the Investors (the “Security Agreement”), the Notes are secured by a lien against substantially all of the Company’s business assets. Pursuant to the Purchase Agreement, the Company also granted piggyback registration rights to the holders of the Series B Preferred Stock upon a conversion of the Notes.

On March 6, 2018, the Company issued 2 year warrants to purchase 692,020 shares of the Company's common stock to the Note holders at an exercise price of $0.90, as consideration for the Note holders extending the maturity date of the Notes payable to September 6, 2018. The warrants were valued at $128,803, fair value, using the Black-Scholes option pricing model to calculate the grant-date fair value of the warrants. The warrant value of $128,803 was expensed immediately as interest expense. The assumptions related to the use of the Black-Scholes option pricing model for warrants and options, during the three months ended March 31, 2018 are as follows: no dividend yield, expected volatility of 205.6%, risk free interest rate of 2.25% and expected term of 2.0 years.

During the years ended December 31, 2019 and 2018, $350,000 and $297,107 of the 10% Secured Convertible Promissory Notes were exchanged for $350,000 and $297,107 of the 4.0% Secured Convertible Promissory Notes (Note 11).

The Notes are recorded as a current liability, in the amount of $2,813,157 and $3,163,157 as of December 31, 2019 and 2018. Interest accrued on the notes was $1,567,582 and $1,283,660 as of December 31, 2019 and 2018. Interest expense related to these notes payable was $283,922 and $332,563 for the years ended December 31, 2019 and 2018.

NOTE 10 – NOTES PAYABLE - STOCKHOLDERS

On December 14, 2017, the Company issued a promissory note in the amount of $100,000 non-interest bearing and maturing on December 21, 2017, along with warrants to purchase 160,000 shares of the Company's common stock, with an exercise price of $0.90, expiring in two years. In accordance with FASB ASC 470-20, *Debt with Conversion and Other Options*, the proceeds of notes payable with detachable stock purchase warrants have been allocated between the two based on the relative fair values of the debt instrument without the warrants and of the warrants themselves at the time of issuance. The portion allocated to the warrants has been accounted for as a discount to the notes payable and amortized over the term of the notes. The warrant values were treated as a discount to the value of the note payable in accordance with FASB ASC 835-30-25, *Recognition,* and were accreted over the term of the note payable for financial statement purposes. During the year ended December 31, 2018, the note holder received additional warrants to purchase 1,300,000 shares of the Company's common stock. The warrants were valued at $214,393 fair value, using the Black-Scholes option pricing model to calculate the grant-date fair value of the warrants, with the following assumptions: no dividend yield, expected volatility of 180.6% to 205.4%, risk free interest rate of 1.96% to 2.94% and expected life of 2 years. During the three months ended March 31, 2019, the promissory note holder received additional warrants to purchase 175,000 shares of the Company's common stock with an exercise price of $0.90, expiring in two years. The warrants were valued at $21,305, fair value, using the Black-Scholes option pricing model to calculate the grant-date fair value of the options, with the following assumptions: no dividend yield, expected volatility of 183.3% to 236.2%, risk free interest rate of 1.9% to 2.6% and expected option term of 2 years. The warrant values $21,305 and $214,393 were expensed during the years ended December 31, 2019 and 2018. The Company has not been able to raise sufficient funds to enable repayment of this promissory note.

On February 15, 2019, the Company reached an agreement with the promissory note holder whereby the warrants would no longer be issued on a weekly basis and that the accrued interest of 10% in addition to the warrants would be waived retrospectively in full. The reversal was recorded as a reduction in interest expense.

During the year ended December 31, 2018, the Company issued promissory notes to two stockholders in the aggregate amount of $57,500 each bearing interest at the rate of 10% per annum with no term of repayment. One of the notes in the amount of $12,500 required a penalty payment of $500, if the note was not repaid by October 2, 2018, which it was not. The Company repaid $7,000 and $23,500 of these notes during the year ended December 31, 2019 and 2018. The Company has not been able to raise sufficient funds to enable repayment of the remaining amounts due under these promissory notes.

On June 17, 2019, the Company issued a 90 day promissory note in the amount of $200,000, bearing interest at 10% along with options to purchase 100,000 shares of the Company's common stock at an exercise price of $0.90 for term of 2 years, vesting immediately. Additionally, the note holder will receive up to $200,000 from a 50/50 revenue split relative to a Norway joint venture. The options were valued at $9,075, fair value, using the Black-Scholes option pricing model to calculate the grant-date fair value of the options, with the following assumptions: no dividend yield, expected volatility of 176.1%, risk free interest rate of 1.86% and expected option life of 2 years. The relative fair value of the option was $8,757 and was recorded as a discount to the note payable in accordance with FASB ASC 835-30-25, *Recognition,* and is being accreted over the term of the note payable for financial statement purposes. The Company has been unable to raise sufficient funds to enable repayment of this promissory note.

On June 17, 2019, the Company issued a 90 day promissory note in the amount of $50,000, bearing interest at 10% along with options to purchase 100,000 shares of the Company's common stock at an exercise price of $0.90 for term of 2 years, vesting immediately. Additionally, the note holder will receive up to $50,000 from a 50/50 revenue split relative to a Norway joint venture. The options were valued at $9,075, fair value, using the Black-Scholes option pricing model to calculate the grant-date fair value of the options, with the following assumptions: no dividend yield, expected volatility of 176.1%, risk free interest rate of 1.86% and expected option life of 2 years. The relative fair value of the option was $7,681 and was recorded as a discount to the note payable in accordance with FASB ASC 835-30-25, *Recognition,* and is being accreted over the term of the note payable for financial statement purposes. The Company has been unable to raise sufficient funds to enable repayment of this promissory note.

On July 19, 2019, the Company issued a 60 day promissory note in the amount of $100,000, bearing interest at 10% along with options to purchase 100,000 shares of the Company's common stock at an exercise price of $0.90 for term of 2 years, vesting immediately. Additionally, the note holder will receive up to $40,000 from a 50/50 revenue split relative to a Norway joint venture. The options were valued at $8,312, fair value, using the Black-Scholes option pricing model to calculate the grant-date fair value of the options, with the following assumptions: no dividend yield, expected volatility of 170.8%, risk free interest rate of 1.80% and expected option life of 2 years. The relative fair value of the option was $7,674 and was recorded as a discount to the note payable in accordance with FASB ASC 835-30-25, *Recognition,* and is being accreted over the term of the note payable for financial statement purposes. The Company has been unable to raise sufficient funds to enable repayment of this promissory note.

On November 4, 2019, the Company issued a 90 day promissory note in the amount of $225,000, bearing interest at 20% along with options to purchase 750,000 shares of the Company's common stock at an exercise price of $0.90 for term of 2 years, vesting immediately. In addition to the interest, the note holder will receive a total of $250,000 as principal repayment upon maturity of the promissory note. The additional $25,000 principal payment is considered additional interest and is being amortized over the term of the loan. The options were valued at $68,452 fair value, using the Black-Scholes option pricing model to calculate the grant-date fair value of the options, with the following assumptions: no dividend yield, expected volatility of 153.6%, risk free interest rate of 1.60% and expected option life of 2 years. The relative fair value of the option was $53,738 and was recorded as a discount to the note payable in accordance with FASB ASC 835-30-25, *Recognition,* and is being accreted over the term of the note payable for financial statement purposes. The Company has been unable to raise sufficient funds to enable repayment of this promissory note.

On December 15, 2019, the Company issued a 60 day convertible debenture in the amount of $500,000, bearing interest at 10% along with options to purchase 350,000 shares of the Company's common stock at an exercise price of $0.90 for term of 2 years, vesting immediately. In addition to the interest, the note holder will receive a total of $550,000 as principal repayment and interest upon maturity of the promissory note. The additional $50,000 is considered additional interest and is being amortized over the term of the loan. The options were valued at $28,243 fair value, using the Black-Scholes option pricing model to calculate the grant-date fair value of the options, with the following assumptions: no dividend yield, expected volatility of 149.3%, risk free interest rate of 1.61% and expected option life of 2 years. The relative fair value of the option was $26,864 and was recorded as a discount to the note payable in accordance with FASB ASC 835-30-25, *Recognition,* and is being accreted over the term of the note payable for financial statement purposes. The Company has been unable to raise sufficient funds to enable repayment of this promissory note. The debenture also has the following additional provisions:

1. Holder's Option to Increase Financing. The Company grants the Holder an option to purchase up to $10,000,000 in additional debentures which grant the Holder the right to convert such debentures into special cashless warrants that pay, upon a Deemed Liquidation Event, an amount per share equal to 600% of the exercise price, which is $0.90, of the warrants. Such option will expire 24 months after this Debenture has been paid or converted.

2. As additional consideration for this Debenture, the Company agrees to share with the Holder fifty percent (50%) of the Company's revenue received from the Norwegian joint-venture ("Joint-Venture Consideration") until such Joint-Venture Consideration equals $500,000 in aggregate. Holder may, at Holder's option, convert such Joint-Venture Consideration into the Series C Preferred Stock proivided the Series C Preferred Stock terms have not expired.

3. As additional consideration for this Debenture, the Company agrees to grant the Holder a right to purchase for $3,000,000 fifteen percent (15%) interest in the revenues of the Scandinavian joint-venture, or related entity (the "**Scandinavian Option**"). The Scandinavian Option shall expire 3 years from the Original Issue Date of this Debenture.

The notes payable are recorded as a current liability as of December 31, 2019 and 2018 in the amount of $1,161,969 and $134,000. Interest accrued on the notes as of December 31, 2019 and 2018 was $29,481 and $1,084. Interest expense, including accretion of discounts, and warrants issues related to these notes payable was $93,079 and $217,001for the years ended December 31, 2019 and 2018.

NOTE 11 – 4.0% SECURED CONVERTIBLE PROMISSORY NOTES PAYABLE – STOCKHOLDERS

On August 26, 2016, the Company, pursuant to a Securities Purchase Agreement (the "Purchase Agreement"), issued $600,000 aggregate principal amount of its 4.0% Secured Convertible Promissory Notes due June 30, 2018 (the "New Secured Notes") to certain accredited investors (the "Investors"). The aggregate consideration provided in the New Secured Note Offering consisted of $300,000 in cash and the exchange of $300,000 outstanding principal amount of 10% Secured Convertible Promissory Notes due March 6, 2017 (the "Prior Secured Notes") for New Secured Notes.

The New Secured Note holders as of June 28, 2018 agreed to extend the maturity date of the notes to October 31, 2020 and have agreed to increase the amount that may be raised from $10 million to $13 million. The Company agreed to increase the interest rate on the New Secured Notes from 3.5% to 4.0%.

During 2018, the Company issued $1,018,050 aggregate principal amount of its New Secured Notes to certain accredited investors. The aggregate consideration consisted of $720,943 cash and the exchange of $297,107 outstanding principal amount of 10% Secured Convertible Notes (See Note 9).

During 2019, the Company issued $945,000 aggregate principal amount of its New Secured Notes to certain accredited investors. The aggregate consideration consisted of $595,000 cash and the exchange of $350,000 outstanding principal amount of 10% Secured Convertible Notes (See Note 9).

The New Secured Notes are convertible by the holders, at any time, into shares of the Company's Series C Cumulative Convertible Preferred Stock ("Series C Preferred Stock") at a conversion price of $90.00 per share, subject to adjustment for stock splits, stock dividends and similar transactions with respect to the Series C Preferred Stock only. Each share of Series C Preferred Stock is currently convertible into 100 shares of the Company's common stock at a current conversion price of $0.90 per share, subject to full ratchet anti-dilution adjustment for one year and weighted average anti-dilution adjustment thereafter, as described in the Certificate of Designation of the Series C Preferred Stock. Upon a liquidation event, the Company shall first pay to the holders of the Series C Preferred Stock, on a pari passu basis with the holders of the Company's outstanding Series A Preferred Stock and Series B Preferred Stock, an amount per share equal to 700% of the conversion price (i.e., $630.00 per share of Series C Preferred Stock), plus all accrued and unpaid dividends on each share of Series C Preferred Stock (the "Series C Preference Amount"). The Series C Preference Amount shall be paid prior and in preference to payment of any amounts to the Common Stock. After the payment of all preferential amounts required to be paid to the holders of shares of Series C Preferred Stock, Series A Preferred Stock, Series B Preferred Stock and any additional senior preferred stock, the Series C Preferred Stock participates in further distributions subject to an aggregate cap of seven and one-half times (7.5x) the original issue price thereof, plus all accrued and unpaid dividends.

The New Secured Notes are recorded as a current liability in the amount of $7,432,250 and $6,487,250 as of December 31, 2019 and 2018. Interest accrued on the New Secured Notes was $687,204 and $394,967 as of December 31, 2019 and 2018. Interest expense, including accretion of discounts related to these notes payable was $292,237 and $252,524 for the years ended December 31, 2019 and 2018.

NOTE 12 - INCOME TAXES

The Company follows FASB ASC 740-10-10 whereby an entity recognizes deferred tax assets and liabilities for future tax consequences or events that have been previously recognized in the Company's financial statements or tax returns. The measurement of deferred tax assets and liabilities is based on provisions of enacted tax law. The effects of future changes in tax laws or rates are not anticipated.

At December 31, 2019, the Company has a net operating loss ("NOL") that approximates $73 million. Consequently, the Company may have NOL carryforwards available for federal income tax purposes, which would begin to expire in 2028. Deferred tax assets would arise from the recognition of anticipated utilization of these net operating losses to offset future taxable income.

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

	December 31,	
	2019	2018
Current	$ -	$ -
Deferred	(889,000)	(1,678,000)
Change in valuation allowance	889,000	1,678,000
	$ -	$ -

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

	December 31, 2019		December 31, 2018	
	Amount	%	Amount	%
U.S federal income tax benefit at Federal statutory rate	$ (670,000)	(21)	$ (1,259,000)	(21)
State tax, net of federal tax effect	(223,000)	(7)	(420,000)	(7)
Non-deductible share-based compensation	-	-	-	-
Tax rate change	-	-	-	-
Non-deductible other expenses	4,000	-	1,000	-
Change in valuation allowance	889,000	28	1,678,000	28
Net	$ -	-	$ -	-

The primary components of the Company's December 31, 2019 and 2018 deferred tax assets and related valuation allowances are as follows:

	December 31, 2019	December 31, 2018
Deferred tax asset for NOL carryforwards	$ (20,418,000)	$ (19,815,000)
Deferred tax asset for stock based compensation	(1,559,000)	(1,273,000)
Valuation allowance	21,977,000	21,088,000
Net	$ -	$ -

In assessing the realization of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which the net operating losses and temporary differences become deductible. Management considered projected future taxable income and tax planning strategies in making this assessment. The value of the deferred tax assets was offset by a valuation allowance, due to the current uncertainty of the future realization of the deferred tax assets.

The timing and mannner in which the Company can utilize operating loss carryforwards in any year may be limited by provisions of the Internal Revenue Code regarding changes in ownership of corporations. Such limitation may have an impact on the ultimate realization of its carryforwards and future tax deductions.

The Company follows FASB ASC 740.10, which provides guidance for the recognition and measurement of certain tax positions in an enterprise's financial statements. Recognition involves a determination of whether it is more likely than not that a tax position will be sustained upon examination with the presumption that the tax position will be examined by the appropriate taxing authority having full knowledge of all relevant information. The adoption of FASB ASC 740.10 did not require an adjustment to the Company's financial statements.

The Company's policy is to record interest and penalties associated with unrecognized tax benefits as additional income taxes in the statement of operations. As of January 1, 2019, the Company had no unrecognized tax benefits and no charge during 2019, and accordingly, the Company did not recognize any interest or penalties during 2019 related to unrecognized tax benefits. There is no accrual for uncertain tax positions as of December 31, 2019.

The Company files U.S. income tax returns and a state income tax return. With few exceptions, the U.S. and state income tax returns filed for the tax years ending on December 31, 2016 and thereafter are subject to examination by the relevant taxing authorities.

NOTE 13 – CONVERTIBLE PREFERRED STOCK

Rego Payment Architectures, Inc. Series A Preferred Stock

The Series A Preferred Stock has a preference in liquidation equal to two times the Original Issue Price, or $21,570,000, to be paid out of assets available for distribution prior to holders of common stock and thereafter participates with the holders of common stock in any remaining proceeds subject to an aggregate cap of 2.5 times the Original Issue Price. The Series A Preferred Stockholders may cast the number of votes equal to the number of whole shares of common stock into which the shares of Series A Preferred Stock can be converted. The Series A Preferred Stock also contains customary approval rights with respect to certain matters. The Series A Preferred Stock accrues dividends at the rate of 8% per annum.

The conversion feature of the Series A Preferred Stock issued in January 2014 is an embedded derivative, which is classified as a liability in accordance with FASB ASC 815 and was valued in accordance with FASB ASC 470 as a beneficial conversion feature at a fair market value of $1,648,825 at January 27, 2014, and $0 at December 31, 2019. This was classified as an embedded derivative liability and a discount to Series A Preferred Stock. Since the Series A Preferred Stock can be converted at any time, the full amount of the discount was accreted and reflected as a deemed distribution.

The conversion feature of the Series A Preferred Stock issued in April 2014 is an embedded derivative, which is classified as a liability in accordance with FASB ASC 815 and was valued in accordance with FASB ASC 470 as a beneficial conversion feature at a fair market value of $3,489,000 at April 30, 2014, and $0 at December 31, 2019. This was classified as an embedded derivative liability and a discount to Series A Preferred Stock. Since the Series A Preferred Stock can be converted at any time, the full amount of the discount was accreted and reflected as a deemed distribution.

Rego Payment Architectures, Inc. Series B Preferred Stock

The Series B Preferred Stock is pari passu with the Series A Preferred Stock and has a preference in liquidation equal to two times the Original Issue Price, or $5,108,040, to be paid out of assets available for distribution prior to holders of common stock and thereafter participates with the holders of common stock in any remaining proceeds subject to an aggregate cap of 2.5 times the Original Issue Price. The Series B Preferred Stockholders may cast the number of votes equal to the number of whole shares of common stock into which the shares of Series B Preferred Stock can be converted. The Series B Preferred Stock also contains customary approval rights with respect to certain matters. The Series B Preferred Stock accrues dividends at the rate of 8% per annum.

The conversion feature of the Series B Preferred Stock is an embedded derivative, which is classified as a liability in accordance with FASB ASC 815 and was valued in accordance with FASB ASC 470 as a beneficial conversion feature at a fair market value of $375,841 at October 30, 2014, and $0 at December 31, 2019. This was classified as an embedded derivative liability and a discount to Series B Preferred Stock. Since the Series B Preferred Stock can be converted at any time, the full amount of the discount was accreted and reflected as a deemed distribution.

The Warrants associated with the Series B Preferred Stock were classified as equity, in accordance with FASB ASC 480-10-25. Therefore it is not necessary to bifurcate these Warrants from the Series B Preferred Stock.

The conversion price of the Series B Preferred Stock is currently $0.90 per share. The Series B Preferred Stock is subject to mandatory conversion if certain registration or related requirements are satisfied and the average closing price of the Company's common stock exceeds 2.5 times the conversion price over a period of twenty consecutive trading days.

Rego Payment Architectures, Inc. Series C Preferred Stock

In August 2016, the Company authorized 150,000 shares of the Company's Series C Cumulative Convertible Preferred Stock ("Series C Preferred Stock"). As of December 31, 2019, none of the Series C Preferred Stock shares are issued or outstanding. After the date of issuance of Series C Preferred Stock, dividends at the rate of $7.20 per share will begin accruing and will be cumulative. The Series C Preferred Stock is pari passu with the Series A Preferred Stock and Series B Preferred Stock and has a preference in liquidation equal to seven times the Original Issue Price to be paid out of assets available for distribution prior to holders of common stock and thereafter participates with the holders of common stock in any remaining proceeds subject to an aggregate cap of 7.5 times the Original Issue Price. The Series C Preferred Stockholders may cast the number of votes equal to the number of whole shares of common stock into which the shares of Series C Preferred Stock can be converted. The Series C Preferred Stock also contains customary approval rights with respect to certain matters.

As of December 31, 2019, the value of the cumulative 8% dividends for all preferred stock was $6,084,788. Such dividends will be paid when and if declared payable by the Company's board of directors or upon the occurrence of certain liquidation events. In accordance with FASB ASC 260-10-45-11, the Company has recorded these accrued dividends as a current liability.

ZS Series A Preferred Stock

In November 2018, ZS pursuant to a Securities Purchase Agreement (the "ZS Series A Purchase Agreement"), issued in a private placement to an accredited investor, 83,334 units of ZS' Series A Cumulative Convertible Preferred Stock (the "ZS Series A Preferred Stock") at an original issue price of $3 per unit (the "ZS Original Series A Issue Price"), which includes one Series A Preferred Share and one warrant to purchase one share of the Company's common stock with an exercise price of $3.00 per share expiring in three years (the "Series A Warrants"). ZS raised $250,000 with respect to this transaction. Dividends accrue at a rate of 8% per annum and are cumulative. The ZS Series A Preferred Stock has a preference in liquidation equal to two times the Original Issue Price to be paid out of assets available for distribution prior to holders of common stock and thereafter participates with the holders of common stock in any remaining proceeds subject to an aggregate cap of 2.5 times the Original Issue Price. The Series A Preferred Stockholders may cast the number of votes equal to the number of whole shares of ZS common stock into which the shares of ZS Series A Preferred Stock can be converted.

In accordance with FASB ASC 480 and 815, the ZS Series A Preferred Stock has been classified as permanent equity and was valued based on the relative fair value, $139,959, assumed to be the total proceeds less the fair value of the warrants of $110,041, at November 6, 2018, the date of issuance. The value of the warrants were reflected as a discount to the ZS Series A Preferred Stock. Because the ZS Series A Preferred Stock can be converted at any time, the full amount of the discount relative to the warrants has been fully accreted and reflected as a deemed distribution.

The conversion feature of the ZS Series A Preferred Stock is an embedded derivative, which is classified as equity in accordance with FASB ASC 815 and was valued in accordance with FASB ASC 470 as a beneficial conversion feature at a fair market value of $193,377 at the date of issuance. However in accordance with FASB ASC 470, the value of the beneficial conversion feature is limited to the value of the ZS Series A Preferred Stock of $139,959 at the date of issuance. This was classified as an embedded derivative and a discount to the ZS Series A Preferred Stock. Since the ZS Series A Preferred Stock can be converted at any time, the full amount of the discount was accreted and reflected as a deemed distribution.

The warrants associated with the ZS Series A Preferred Stock were also classified as equity, in accordance with FASB ASC 480-10-25. Therefore it is not necessary to bifurcate the warrants from the ZS Series A Preferred Stock.

As of December 31, 2019, the value of the cumulative 8% dividends for all ZS preferred stock was $23,333. Such dividends will be paid when and if declared payable by the ZS's board of directors or upon the occurrence of certain liquidation events. In accordance with FASB ASC 260-10-45-11, the Company has recorded these accrued dividends as a current liability.

NOTE 14 – STOCKHOLDERS' EQUITY

In June 2018, the Company issued 500,000 shares of common stock, fair value $162,450 in settlement of litigation.

In June 2018, the FASB issued ASU No. 2018-07, *Compensation – Stock Compensation (Topic 718), Improvements to Nonemployee Share-Based Payment Accounting*. The amendments in this Update expand the scope of Topic 718 to include share-based payment transactions for acquiring goods and services from nonemployees. Prior to this Update, Topic 718 applied only to share-based transactions to employees. Consistent with the accounting requirement for employee share-based payment awards, nonemployee share-based payment awards within the scope of Topic 718 are measured at grant-date fair value of the equity instruments that an entity is obligated to issue when the good has been delivered or the service has been rendered and any other conditions necessary to earn the right to benefit from the instruments have been satisfied. The adoption of this pronouncement on June 30, 2018 had no material impact on the Company's consolidated financial statements.

Extension and Revaluation of Options

In April 2019, the Board of Directors of the Company approved amendments extending the term of outstanding options to purchase in the aggregate 150,000 shares of common stock of the Company at an exercise price $0.90 per share. These options were scheduled to expire in June 2019 and were each extended for an additional two year period from the applicable current expiration date. The Company used the Black-Scholes option pricing model to calculate the fair value at $21,975, with the following assumptions for the extended options: no dividend yield, expected volatility of 179.2%, risk free interest rate of 2.3%, and expected option life of two years. The incremental increase in fair value of this term extension was $21,964, which was expensed during the period.

Issuance of Restricted Shares

A restricted stock award ("RSA") is an award of common shares that is subject to certain restrictions during a specified period. Restricted stock awards are generally subject to forfeiture if employment terminates prior to the release of the restrictions. The grantee cannot transfer the shares before the restricted shares vest. Shares of nonvested restricted stock have the same voting rights as common stock, are entitled to receive dividends and other distributions thereon and are considered to be currently issued and outstanding. The Company's restricted stock awards generally vest over a period of one year. The Company expenses the cost of the restricted stock awards, which is determined to be the fair market value of the shares at the date of grant, straight-line over the period during which the restrictions lapse. For these purposes, the fair market value of the restricted stock is determined based on the closing price of the Company's common stock on the grant date.

For the years ended December 31, 2019 and 2018, $0 and $31,250 was expensed as deferred compensation.

The Company entered into an financial advisory agreement whereby generally the Company will pay the financial advisor a success fee equal to 6% of the Capital committed in a capital transaction.

NOTE 15 - STOCK OPTIONS AND WARRANTS

During 2008, the Board of Directors ("Board") of the Company adopted the 2008 Equity Incentive Plan ("2008 Plan") that was approved by the shareholders. Under the 2008 Plan, the Company was authorized to grant options to purchase up to 25,000,000 shares of common stock to any officer, other employee or director of, or any consultant or other independent contractor who provides services to the Company. The Plan was intended to permit stock options granted to employees under the 2008 Plan to qualify as incentive stock options under Section 422 of the Internal Revenue Code of 1986, as amended ("Incentive Stock Options"). All options granted under the 2008 Plan, which are not intended to qualify as Incentive Stock Options are deemed to be non-qualified options ("Non-Statutory Stock Options"). As of December 31, 2019, options to purchase 8,410,000 shares of common stock have been issued and are unexercised, and no shares were available for grants under the 2008 Plan.

During 2013, the Board adopted the 2013 Equity Incentive Plan ("2013 Plan"), which was approved by stockholders at the 2013 annual meeting of stockholders. Under the 2013 Plan, the Company is authorized to grant awards of stock options, restricted stock, restricted stock units and other stock-based awards of up to an aggregate of 5,000,000 shares of common stock to any officer, employee, director or consultant. The 2013 Plan is intended to permit stock options granted to employees under the 2013 Plan to qualify as Incentive Stock Options. All options granted under the 2013 Plan, which are not intended to qualify as Incentive Stock Options are deemed to be Non-Statutory Stock Options. As of December 31, 2019, under the 2013 Plan grants of restricted stock and options to purchase 4,150,000 shares of common stock have been issued and are unvested or unexercised, and 850,000 shares of common stock remained available for grants under the 2013 Plan.

The 2008 Plan and 2013 Plan are administered by the Board or its compensation committee, which determines the persons to whom awards will be granted, the number of awards to be granted, and the specific terms of each grant, including the vesting thereof, subject to the terms of the applicable Plan.

In connection with Incentive Stock Options, the exercise price of each option may not be less than 100% of the fair market value of the common stock on the date of the grant (or 110% of the fair market value in the case of a grantee holding more than 10% of the outstanding stock of the Company).

Prior to January 1, 2014, volatility in all instances presented is REGO's estimate of volatility that is based on the volatility of other public companies that are in closely related industries to REGO. Beginning January 1, 2014, volatility in all instances presented is REGO's estimate of volatility that is based on the historical volatility of the REGO's stock.

The following table presents the weighted-average assumptions used to estimate the fair values of the stock options granted by REGO during the years ended December 31, 2019 and 2018:

	2019	2018
Risk Free Interest Rate	1.8%	2.7%
Expected Volatility	163.4%	153.1%
Expected Life (in years)	2.7	5
Dividend Yield	0%	0%
Weighted average estimated fair value of options during the period	$ 0.11	$ 0.23

The following table summarizes the activities for REGO stock options for the years ended December 31, 2019 and 2018:

	Options Outstanding			
	Number of Shares	**Weighted-Average Exercise Price**	**Weighted - Average Remaining Contractual Term in years)**	**Aggregate Intrinsic Value (in 000's) (1)**
Balance December 31, 2017	9,150,000	$ 0.83	3.6	$ 66
Granted	4,900,000	0.48		
Expired	(1,125,000)	1.26	-	-
Balance December 31, 2018	12,925,000	$ 0.66	3.3	$ 4
Granted	2,600,000	0.90		
Expired/cancelled	(2,340,000)	0.77	-	-
Balance December 31, 2019	13,185,000	$ 0.69	2.4	$ -
Exercisable at December 31, 2019	12,951,667	$ 0.68	2.4	$ -
Exercisable at December 31, 2019 and expected to vest thereafter	13,185,000	$ 0.69	2.4	$ -

(1)The aggregate intrinsic value is calculated as the difference between the exercise price of the underlying awards and the closing stock price of $0.16 and $0.15 for Company's common stock on December 31, 2019 and 2018.

During the years ended December 31, 2019 and 2018, the weighted average fair value of stock options granted during the year was $0.11 and $0.23. The fair value of stock options for employees is expensed over the vesting term in accordance with the terms of the related stock option agreements and for consultants is expensed over the vesting term, if that is shorter than the term of the consulting agreement, otherwise over the term of the consulting agreement.

For the years ended December 31, 2019 and 2018, the Company expensed $536,896 and $1,438,007 relative to the fair value of stock options and options granted.

In accordance with FASB ASC 505-50, *Equity – Equity-Based Payments to Non-Employees*, share based compensation with performance conditions should be revalued based on the modification accounting methodology described in FASB ASC 718-20, *Compensation—Stock Compensation—Awards Classified as Equity*. Upon the adoption, on June 30, 2018, of FASB ASU No. 2018-07, the Company has revalued certain stock options with consultants and determined that there was an aggregate increase in fair value of $4,208. Also upon the adoption of FASB ASU No. 2018-07, nonemployee share-based payment awards within the scope of Topic 718 are measured at grant-date fair value of the equity instruments that an entity is obligated to issue when the good has been delivered or the service has been rendered and any other conditions necessary to earn the right to benefit from the instruments have been satisfied.

As of December 31, 2019, there was $27,343 of unrecognized compensation cost related to outstanding stock options. This amount is expected to be recognized over a weighted-average period of 0.6 years. To the extent the actual forfeiture rate is different from what we have estimated, stock-based compensation related to these awards will be different from our expectations. The difference between the stock options exercisable at December 31, 2019 and the stock options exercisable and expected to vest relates to management's estimate of options expected to vest in the future.

The following table summarizes the activities for REGO's unvested options for the years ended December 31, 2019 and 2018:

	Unvested Options	
	Number of Shares	**Weighted - Average Grant Date Fair Value**
Balance December 31, 2017	5,811,670	$ 0.13
Granted	4,900,000	0.24
Vested	(7,086,670)	0.21
Balance December 31, 2018	3,625,000	0.13
Granted	2,600,000	0.11
Expired/cancelled	(716,667)	0.41
Vested	(5,275,000)	0.15
Balance December 31, 2019	233,333	0.2

The following table summarizes the activities for the REGO's warrants for the years ended December 31, 2019 and 2018:

	Number of Shares	Weighted-Average Exercise Price	Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in 000's) (1)
Balance December 31, 2017	1,191,700	$ 0.90	1.9	$ -
Granted	1,992,020	0.90	1.0	-
Expired	(131,700)	0.90	-	-
Balance at December 31, 2018	3,052,020	$ 0.90	1.3	$ -
Granted	1,775,000	0.90	1.8	-
Expired	(400,000)	0.90	-	-
Balance at December 31, 2019	4,427,020	$ 0.90	1.0	$ -
Exercisable at December 31, 2019	4,427,020	$ 0.90	1.0	$ -
Exercisable at December 31, 2019 and expected to vest thereafter	4,427,020	$ 0.90	1.0	$ -

(1)The aggregate intrinsic value is calculated as the difference between the exercise price of the underlying warrants and the closing stock price of $0.16 and $0.15 for REGO's common stock on December 31, 2019 and 2018.

During the years ended December 31, 2019 and 2018, the weighted average fair value of warrants granted during the year was $0.09 and $0.17.

All warrants were vested on the date of grant.

On September 11, 2018, the Company's subsidiaries below each issued options to purchase 100,000 shares of the specific subsidiary's common stock to a consultant. The options for ZBS, ZCS and ZPS were all valued at $0, fair value, using the Black-Scholes options pricing model to calculate the grant-date fair value of the options. The assumptions related to the use of the Black-Scholes option pricing model for the options, during the three months ended September 30, 2018 for the subsidiaries are as follows: no dividend yield, expected volatility of 16.5% based on the industry sector index, risk free interest rate of 2.76% and expected term of 2.0 years. ZCS also issued options, on December 19, 2018, to purchase 1,300,000 shares of ZCS' common stock to the two board members of REGO and the chief financial officer of REGO. In addition, on December 19, 2018, ZCS issued options to purchase 500,000 shares of ZCS' common stock to a consultant and 300,000 shares to a more than 5% owner of REGO for consulting services. The assumptions related to the use of the Black-Scholes option pricing model for these options are as follows: no dividend yield, expected volatility of 18.4% based on the industry sector index, risk free interest rate of 2.62% and expected term of 5.0 years. All of these options were also valued at $0, fair market value.

The options to purchase 100,000 shares of ZS common stock on September 11, 2018 were valued at $21,938, fair value, using the Black-Scholes option pricing model to calculate the grant-date fair value of the options, which was expensed immediately. ZS also issued options, in December 2018, to purchase 1,300,000 shares of ZS' common stock to the two board members of REGO and the chief financial officer of REGO, valued at $659,346, fair value. In addition, in December 2018, ZS issued options to purchase 700,000 shares of ZS's common stock to two consultants and 300,000 shares to a more than 5% owner of REGO for consulting services, valued at $440,533. The assumptions related to the use of the Black-Scholes option pricing model for theses options are as follows: no dividend yield, expected volatility of 18.2% to 18.4% based on the industry sector index, risk free interest rate of 2.62% to 2.83% and expected term of 2.0 to 5.0 years. All of these options were also valued at $0, fair market value.

The following table summarizes the activities for ZS's stock options for the years ended December 31, 2019 and 2018:

	Options Outstanding			
	Number of Shares	Weighted-Average Exercise Price	Weighted - Average Remaining Contractual Term in years)	Aggregate Intrinsic Value (in 000's) (1)
Balance December 31, 2017	-	$ -	-	$ -
Granted	2,400,000	5.00	4.7	-
Balance December 31, 2018	2,400,000	$ 5.00	4.7	$ -
Balance December 31, 2019	2,400,000	$ 5.00	3.6	$ -
Exercisable at December 31, 2019	2,400,000	$ 5.00	3.6	$ -
Exercisable at December 31, 2019 and expected to vest thereafter	2,400,000	$ 5.00	3.6	$ -

(1)The aggregate intrinsic value is calculated as the difference between the exercise price of the underlying options and the value of $4.00 for ZS's common stock on December 31, 2019.

For the years ended December 31, 2019 and 2018, ZS expensed $28,051 and $1,113,851 relative to the fair value of stock options granted.

As of December 31, 2019, there was $0 of unrecognized compensation cost related to outstanding stock options.

The following table summarizes the activities for ZS's warrants for the years ended December 31, 2019 and 2018:

	Number of Shares	Weighted-Average Exercise Price	Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in 000's) (1)
Balance December 31, 2018	83,334	$ 3.00	2.9	$ 83
Balance December 31, 2019	83,334	$ 3.00	1.8	$ 83
Exercisable at December 31, 2019	83,334	$ 3.00	1.8	$ 83
Exercisable at December 31, 2019 and expected to vest thereafter	83,334	$ 3.00	1.8	$ 83

(1)The aggregate intrinsic value is calculated as the difference between the exercise price of the underlying options and the value of $4.00 for ZS's common stock on December 31, 2019.

The following table summarizes the activities for ZBS's stock options for the years ended December 31, 2019 and 2018:

	Number of Shares	Weighted-Average Exercise Price	Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in 000's) (1)
Balance December 31, 2018	100,000	$ 5.00	1.7	$ -
Balance December 31, 2019	100,000	$ 5.00	0.7	$ -
Exercisable at December 31, 2019	100,000	$ 5.00	0.7	$ -
Exercisable at December 31, 2019 and expected to vest thereafter	100,000	$ 5.00	0.7	$ -

(1)The aggregate intrinsic value is calculated as the difference between the exercise price of the underlying options and the value of $0.01 for ZBS's common stock on December 31, 2019 and 2018.

For the years ended December 31, 2019 and 2018, ZBS expensed $0 with respect to options.

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The following table summarizes the activities for ZCS's stock options for the years ended December 31, 2019 and 2018:

	Number of Shares	Weighted-Average Exercise Price	Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in 000's) (1)
Balance December 31, 2018	2,200,000	$ 5.00	4.8	$ -
Balance December 31, 2019	2,200,000	$ 5.00	3.8	$ -
Exercisable at December 31, 2019	2,200,000	$ 5.00	3.8	$ -
Exercisable at December 31, 2019 and expected to vest thereafter	2,200,000	$ 5.00	3.8	$ -

(1)The aggregate intrinsic value is calculated as the difference between the exercise price of the underlying options and the value of $0.01 for ZCS's common stock on December 31, 2019.

For the years ended December 31, 2019 and 2018, ZCS expensed $0 with respect to options.

The following table summarizes the activities for ZPS's stock options for the years ended December 31, 2019 and 2018:

	Number of Shares	Weighted-Average Exercise Price	Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in 000's) (1)
Balance December 31, 2018	100,000	$ 5.00	1.7	$ -
Balance December 31, 2019	100,000	$ 5.00	0.7	$ -
Exercisable at December 31, 2019	100,000	$ 5.00	0.7	$ -
Exercisable at December 31, 2019 and expected to vest thereafter	100,000	$ 5.00	0.7	$ -

(1)The aggregate intrinsic value is calculated as the difference between the exercise price of the underlying options and the value of $0.01 for ZPS's common stock on December 31, 2019.

For the years ended December 31, 2019 and 2018, ZPS expensed $0 with respect to options.

NOTE 16 – NONCONTROLLING INTERESTS

During the year ended December 31, 2018, Zoom Solutions, Inc. and ZPS, LLC received $243,250 for convertible notes payable. The notes were non-interest bearing. As of September 30, 2018, ZS had converted all of the $243,250 of the convertible notes into 23,929 shares of ZS common stock in accordance with the individual convertible note agreements.

In addition, during 2018, ZS, ZBS, ZCS and ZPS issued options to purchase 100,000 shares of each of the companies to a consultant, which were valued at a total $21,938 (See Note 15).

Losses incurred by the noncontrolling interests for the years ended December 31, 2019 and 2018 were $7,229 and $270,671.

NOTE 17 - OPERATING LEASES

For the years ended December 31, 2019 and 2018, total rent expense under leases amounted to $23,124 and $81,535. At December 31, 2019, the Company was not obligated under any non-cancelable operating leases.

NOTE 18 – RELATED PARTY TRANSACTIONS

The Company entered into an agreement in 2019 for the preparation of all of the corporate income taxes with a company owned by the Chief Financial Officer and expensed $10,000 in accordance with the agreement.

The Company has entered into a consulting agreement with a company owned by a previously more than 5% beneficial owner, at a cost of $15,000 per month, plus expenses. As of December 31, 2019 and 2018, the Company owed the consulting company $158,220 and $113,920 and expensed $180,000 and $180,000 to the consulting company. The amounts owed have been included in accounts payable and accrued expenses – related parties.

The Company has entered into a consulting agreement with the son of the principal of a company owned by a previously more than 5% beneficial owner, at a cost of $5,000 per month, plus expenses. As of December 31, 2019 and 2018, the Company owed the consulting company $32,000 and $20,000. For the years ended December 31, 2019 and 2018, the Company has expensed $60,000 and $60,000 to this consultant.

During the year ended December 31, 2019 and 2018, the Company received revenue of $34,485 and $46,755 from a technology company for the outsourcing of the Company's engineers for development.

NOTE 19 – SUBSEQUENT EVENTS

On January 7, 2020, REGO issued options to purchase 200,000 shares of REGO's common stock to a consultant. The options have an exercise price of $0.90, vest immediately and have a term of 2 years, with a fair value of $12,059, which is being expensed over one year, which is the expected term of the consulting agreement.

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic which continues to spread throughout the United States. On March 19, 2020, the Governor of Pennsylvania declared a health emergency and issued an order to close all nonessential businesses until further notice. The Company has temporarily curtailed its business operations and has required employees to work from home. While the Company expects this matter to negatively impact its results of operations, cash flow and financial position, the related financial impact cannot be reasonably estimated at this time.

During April 2020, the Company received $2,000 from the Emergency Injury Disaster Loan program and $79,500 from the Paycheck Protection Program.

In May 2020, we received $8,500 through the issuance of notes payable. Also in May 2020, we received $160,000 through the issuance of our 4% secured convertible notes payable-stockholders.