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

FORM 10-Q

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

For the quarterly period ended September 30, 2021

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

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

(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		

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

Indicate by check mark whether the registrant has submitted electronically 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 ☒ 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 ☒

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 123,366,102 shares of common stock outstanding at November 15, 2021.

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PART I - FINANCIAL INFORMATION

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q 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 facts included or incorporated by reference in this Quarterly Report on Form 10-Q, 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. In addition, forward-looking statements generally can be identified by the use of forward-looking terminology such as "may," "will," "expects," "intends," "plans," "projects," "estimates," "anticipates," "believes," "contemplates," "targets," "could," "would" or "should" or the negative thereof or any variation thereon or similar terminology or expressions. Management cautions readers not to place undue reliance on any of the Company's forward-looking statements, which speak only as of the date made.

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, the absence of any material operating history or revenue, our ability to attract and retain qualified personnel, our ability to develop and introduce a new service and products to the market in a timely manner, market acceptance of our services and products, our limited experience in the industry, the ability to successfully develop licensing programs and generate business, rapid technological change in relevant markets, unexpected network interruptions or security breaches, changes in demand for current and future intellectual property rights, legislative, regulatory and competitive developments, intense competition with larger companies, general economic conditions, the impact of the current COVID-19 pandemic, and other risks discussed in Part I – Item 1A of the Company's Annual Report on Form 10-K for the year ended December 31, 2020 as filed with the Securities and Exchange Commission (the "SEC"), and the Company's other subsequent filings with the SEC.

All subsequent written and oral forward-looking statements attributable to us, or persons acting on our behalf, are expressly qualified in their entirety by the foregoing. The Company has no obligation to and does not undertake to update, revise, or correct any of these forward-looking statements after the date of this report.

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ITEM 1. FINANCIAL STATEMENTS

Rego Payment Architectures, Inc.

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Rego Payment Architectures, Inc.
Condensed Consolidated Balance Sheets
September 30, 2021 and December 31, 2020

	September 30, 2021 (Unaudited)	December 31, 2020
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 1,719,658	$ 273,176
Prepaid expenses	108,157	162,840
Deposits	341	341
TOTAL CURRENT ASSETS	1,828,156	436,357
OTHER ASSETS		
Patents and trademarks, net of accumulated amortization of $244,527 and $221,925	347,081	328,486
	347,081	328,486
TOTAL ASSETS	$ 2,175,237	$ 764,843
LIABILITIES AND STOCKHOLDERS' DEFICIT		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 5,797,781	$ 5,631,518
Accounts payable and accrued expenses - related parties	169,599	289,704
Embedded derivative liability	-	10,987,578
Paycheck protection program loan payable	-	81,500
Loans payable	42,600	42,600
Deferred revenue	-	200,000
10% secured convertible notes payable - stockholders	-	3,116,357
Notes payable - stockholders, net of discount of $0 and $40,031	595,000	1,095,000
4% secured convertible notes payable - stockholders	-	9,494,250
Preferred stock dividend liability	7,657,251	7,195,243
TOTAL CURRENT LIABILITIES	14,262,231	38,133,750
LONG-TERM LIABILITIES		
10% secured convertible notes payable - stockholders	3,316,357	-
4% secured convertible notes payable - stockholders	14,781,250	-
TOTAL LONG-TERM LIABILITIES	18,097,607	-
CONTINGENCIES		
STOCKHOLDERS' DEFICIT		
Preferred stock, $.0001 par value; 2,000,000 preferred shares authorized; 195,500 preferred shares Series A authorized; 102,350 shares issued and outstanding at September 30, 2021 and 107,850 issued and outstanding at December 31, 2020	10	11
Preferred stock, $.0001 par value; 2,000,000 preferred shares authorized; 222,222 preferred shares Series B authorized; 33,656 shares issued and outstanding at September 30, 2021 and 28,378 issued and outstanding at December 31, 2020	3	3

ASSETS	September 30, 2021 (Unaudited)	December 31, 2020
CURRENT ASSETS		
Preferred stock, $.0001 par value; 2,000,000 preferred shares authorized; 300,000 preferred shares Series C authorized; 0 shares issued and outstanding at September 30, 2021 and December 31, 2020	-	-
Common stock, $ .0001 par value; 230,000,000 shares authorized; 123,366,102 shares issued and outstanding at September 30, 2021 and 120,096,866 shares issued and outstanding at December 31, 2020	12,337	12,010
Additional paid in capital	67,331,777	61,447,232
Accumulated deficit	(97,456,125)	(98,770,661)
Noncontrolling interests	(72,603)	(57,502)
STOCKHOLDERS' DEFICIT	(30,184,601)	(37,368,907)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	$ 2,175,237	$ 764,843

See the accompanying notes to the condensed consolidated financial statements.

Rego Payment Architectures, Inc.
Condensed Consolidated Statements of Comprehensive Loss
For the Three and Nine Months Ended September 30, 2021 and 2020
(Unaudited)

	For the Three Months Ended September 30, 2021	For the Three Months Ended September 30, 2020	For the Nine Months Ended September 30, 2021	For the Nine Months Ended September 30, 2020
NET REVENUE	$ 1,068	$ -	$ 2,341	$ -
OPERATING EXPENSES				
Transaction expense	38,389	-	114,448	-
Sales and marketing	178,404	22,784	802,017	41,123
Product development	631,977	474,151	2,279,893	667,604
General and administrative	208,497	928,181	5,299,285	1,605,535
Total operating expenses	1,057,267	1,425,116	8,495,643	2,314,262
NET OPERATING LOSS	(1,056,199)	(1,425,116)	(8,493,302)	(2,314,262)
OTHER INCOME (EXPENSE)				
Interest income	51	-	310	-
Forgiveness of debt	-	422,419	95,425	422,419
Interest expense	(252,621)	(192,216)	(828,568)	(572,563)
Change in fair value of embedded derivative liability	-	(232,600)	-	(232,600)
	(252,570)	(2,397)	(732,833)	(382,744)
NET LOSS	(1,308,769)	(1,427,513)	(9,226,135)	(2,697,006)
LESS: Accrued preferred dividends	72,219	(271,780)	(462,008)	(815,340)
Net loss attributable to noncontrolling interests	-	313	101	1,039
NET LOSS ATTRIBUTABLE TO COMMON STOCKHOLDERS	$ (1,236,550)	$ (1,698,980)	$ (9,688,042)	$ (3,511,307)
BASIC AND DILUTED NET LOSS PER COMMON SHARE	$ (0.01)	$ (0.01)	$ (0.08)	$ (0.03)
BASIC AND DILUTED WEIGHTED AVERAGE COMMON SHARES OUTSTANDING	123,366,102	119,596,866	122,574,431	119,666,310

See the accompanying notes to the condensed consolidated financial statements.

Rego Payment Architectures, Inc.
Condensed Consolidated Statements of Changes in Stockholders' Deficit
For the Three and Nine Months Ended September 30, 2021

	Preferred Stock Series A		Preferred Stock Series B		Preferred Stock Series C		Common Stock					
	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Additional Paid-In Capital	Accumulated Deficit	Noncontrolling Interests	Total
Balance, December 31, 2020, as previously reported	107,850	$ 11	28,378	$ 3	-	$ -	120,096,866	$ 12,010	$ 61,447,232	$ (98,770,661)	$ (57,502)	$ (37,368,907)
Adoption of new accounting principle for embedded derivative liabilities	-	-	-	-	-	-	-	-	-	10,987,578	-	10,987,578
Balance, December 31, 2020, as adjusted	107,850	11	28,378	3	-	-	120,096,866	12,010	61,447,232	(87,783,083)	(57,502)	(26,381,329)
Conversion of Series A Preferred shares into common stock	(5,500)	(1)	-	-	-	-	611,111	61	(60)	-	-	-
Issuance of common stock to board members and employees	-	-	-	-	-	-	1,800,000	180	1,929,820	-	-	1,930,000
Issuance of common stock for accounts payable	-	-	-	-	-	-	150,000	15	134,985	-	-	135,000
Exercise of options	-	-	-	-	-	-	80,000	8	19,992	-	-	20,000
Fair value of options for software	-	-	-	-	-	-	-	-	111,817	-	-	111,817
Fair value of options for services	-	-	-	-	-	-	-	-	1,417,625	-	-	1,417,625
Accrued preferred dividends	-	-	-	-	-	-	-	-	-	(262,114)	(5,000)	(267,114)
Net loss	-	-	-	-	-	-	-	-	-	(4,645,700)	(101)	(4,645,801)
Balance, March 31, 2021 (Unaudited)	102,350	10	28,378	3	-	-	122,737,977	12,274	65,061,411	(92,690,897)	(62,603)	(27,679,802)
Issuance of common stock to board members and employees	-	-	-	-	-	-	600,000	60	620,940	-	-	621,000
Exercise of options, cashless	-	-	-	-	-	-	28,125	3	(3)	-	-	-
Fair value of options for services	-	-	-	-	-	-	-	-	1,161,089	-	-	1,161,089
Accrued preferred dividends	-	-	-	-	-	-	-	-	-	(262,113)	(5,000)	(267,113)
Net loss	-	-	-	-	-	-	-	-	-	(3,271,565)	-	(3,271,565)
Balance, June 30, 2021 (Unaudited)	102,350	10	28,378	3	-	-	123,366,102	12,337	66,843,437	(96,224,575)	(67,603)	(29,436,391)
Sale of Series B Preferred stock	-	-	5,278	-	-	-	-	-	475,020	-	-	475,020
Fair value of options for services	-	-	-	-	-	-	-	-	13,320	-	-	13,320
Accrued preferred dividends	-	-	-	-	-	-	-	-	-	77,219	(5,000)	72,219
Net loss	-	-	-	-	-	-	-	-	-	(1,308,769)	-	(1,308,769)
Balance, September 30, 2021 (Unaudited)	102,350	$ 10	33,656	$ 3	-	$ -	123,366,102	$ 12,337	$ 67,331,777	$ (97,456,125)	$ (72,603)	$ (30,184,601)

	Preferred Stock Series A		Preferred Stock Series B		Preferred Stock Series C		Common Stock				
	Number of		Number of		Number of		Number of		Additional Paid-In	Accumulated	Noncontrolling

	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Capital	Deficit	Interests	Total
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)
Issuance of warrants for services	-	-	-	-	-	-	-	-	74,886	-	-	74,886
Fair value of options for services	-	-	-	-	-	-	-	-	25,663	-	-	25,663
Accrued preferred dividends	-	-	-	-	-	-	-	-	-	(266,780)	(5,000)	(271,780)
Net loss	-	-	-	-	-	-	-	-	-	(746,535)	(257)	(746,792)
Balance, March 31, 2020 (Unaudited)	107,850	11	28,378	3	-	-	119,596,866	11,960	60,334,398	(84,144,258)	200,792	(23,597,094)
Issuance of warrants for services	-	-	-	-	-	-	-	-	49,599	-	-	49,599
Fair value of options for services	-	-	-	-	-	-	-	-	21,314	-	-	21,314
Fair value of options for interest	-	-	-	-	-	-	-	-	4,470	-	-	4,470
Accrued preferred dividends	-	-	-	-	-	-	-	-	-	(266,780)	(5,000)	(271,780)
Net loss	-	-	-	-	-	-	-	-	-	(522,232)	(469)	(522,701)
Balance, June 30, 2020 (Unaudited)	107,850	11	28,378	3	-	-	119,596,866	11,960	60,409,781	(84,933,270)	195,323	(24,316,192)
Fair value of common stock issued for services	-	-	-	-	-	-	750,000	75	187,425	-	-	187,500
Common stock forfeited	-	-	-	-	-	-	(250,000)	(25)	25	-	-	-
Fair value of warrants for services	-	-	-	-	-	-	-	-	59,563	-	-	59,563
Fair value of options for services	-	-	-	-	-	-	-	-	629,690	-	-	629,690
Fair value of options issued for forgiveness of debt	-	-	-	-	-	-	-	-	27,690	-	-	27,690
Fair value of options for interest	-	-	-	-	-	-	-	-	10,290	-	-	10,290
Accrued preferred dividends	-	-	-	-	-	-	-	-	-	(266,780)	(5,000)	(271,780)
Net loss	-	-	-	-	-	-	-	-	-	(1,427,200)	(313)	(1,427,513)
Balance, September 30, 2020 (Unaudited)	107,850	$ 11	28,378	$ 3	-	$ -	120,096,866	$ 12,010	$ 61,324,464	$ (86,627,250)	$ 190,010	$ (25,100,752)

See the accompanying notes to the condensed consolidated financial statements.

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Rego Payment Architectures, Inc.
Condensed Consolidated Statements of Cash Flows
For the Nine Months Ended September 30, 2021 and 2020
(Unaudited)

	For the Nine Months Ended September 30,	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$ (9,226,135)	$ (2,697,006)
Adjustments to reconcile net loss to net cash used in operating activities:		
Fair value of options issued for interest on notes payable	-	14,760
Fair value of common stock issued in exchange for services	2,551,000	187,500
Fair value of options and warrants issued in exchange for services	2,592,035	888,405
Change in fair value of embedded derivative liability	-	232,600
Accretion of discount on notes payable	-	40,031
Impairment loss	111,817	-
Depreciation and amortization	22,602	21,123
Forgiveness of debt	(95,425)	422,419
(Increase) decrease in assets		
Prepaid expenses	54,683	(213,905)
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	382,187	131,737
Accounts payable and accrued expenses - related parties	(120,106)	(386,612)
Net cash used in operating activities	(3,727,342)	(1,358,948)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment in patents	(41,196)	-
Net cash used in investing activities	(41,196)	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Exercise of options	20,000	-
Proceeds from sale of Series B Preferred stock	475,020	-
Proceeds from notes payable - stockholders	-	15,000
Repayment of notes payable - stockholders	(50,000)	(15,000)
Proceeds from convertible notes payable - stockholders	4,770,000	1,860,000
Proceeds from paycheck protection program loan	-	81,500
Net cash provided by financing activities	5,215,020	1,941,500
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,446,482	582,552
CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD	273,176	430,076
CASH AND CASH EQUIVALENTS - END OF PERIOD	$ 1,719,658	$ 1,012,628
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during year for:		
Interest	$ 71,606	$ -
Income taxes	$ -	$ -

SUPPLEMENTAL DISCLOSURE OF NON-CASH FINANCING ACTIVITIES:

Accrued preferred dividends	$ 462,008	$ 815,341
Exchange of notes payable - stockholders for 4% secured convertible notes payable	$ -	$ 107,000
Forfeited common stock	$ -	$ 25
Options issued for software	$ 111,817	$ -
Issuance of common stock for accounts payable	$ 135,000	$ -
Conversion of Series A Preferred stock to common stock	$ 61	$ -
Adoption of new accounting principle for embedded derivative liabilities affecting accumulated deficit	$ 10,987,578	$ -
Exchange of deferred revenue for 10% convertible notes payable	$ 200,000	$ -
Cashless conversion of options into common stock	$ 3	$ -
Exchange of note payable - stockholder and accrued interest for 4% convertible note payable	$ 517,000	$ -

See the accompanying notes to the condensed 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 provider of consumer software that delivers a mobile payment platform solution—Mazoola^{SM} - a family focused mobile banking solution (the “Platform”). Headquartered in Blue Bell, Pennsylvania, the Company maintains a portfolio of trade secrets and four US patent awards. REGO offers an all-digital financial payments platform to enable minors, particularly under 13 years old, to purchase goods and services, complete chores and learn in a secure online environment guided by parental permission, oversight, and control, while remaining Children’s Online Privacy Protection Act (“COPPA”) and General Data Protection Regulation (“GDPR”) compliant.

Management believes that building on its COPPA advantage, 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 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 would 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 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 and licensing with banking and distribution partners.

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. During the year ended December 31, 2020, the minority common shareholders of ZS exchanged their shares in ZS for REGO 10% secured convertible notes payable. REGO now owns 100% of the common stock of ZS. ZS is the holding company for various subsidiaries that will utilize REGO’s payment platform to address emerging markets.

There were minimal operations at ZS during the three and nine months ended September 30, 2021 and 2020.

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.

There were minimal operations at ZPS during the three and nine months ended September 30, 2021 and 2020.

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 was focused on blockchain as a business solution for the retail and Consumer Packaged Goods (“CPG”) industries.

There were minimal operations at ZBS during the three and nine months ended September 30, 2021 and 2020.

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 was focused on providing a highly secure cloud storage as a service.

There were minimal operations at ZCS during the three and nine months ended September 30, 2021 and 2020.

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 at ZAS during the three and nine months ended September 30, 2021 and 2020.

REGO Data Solutions, Inc. ("RDS")

RDS was incorporated in the State of Delaware on February 25, 2021 as a wholly-owned subsidiary of REGO for the purpose of maintaining data collected by Mazoola^{SM}.

There were minimal operations at RDS during the three and nine months ended September 30, 2021.

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

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP"). These statements include all adjustments (consisting only of normal recurring adjustments) which management believes necessary for a fair presentation of the statements and have been prepared on a consistent basis using the accounting policies described in the summary of accounting policies included in the Company's 2020 Annual Report on Form 10-K (the "Form 10-K"). All significant intercompany transactions and balances have been eliminated in consolidation. Certain information and note disclosures normally included in the financial statements prepared in accordance with US GAAP have been condensed, or omitted pursuant to such rules and regulations, although the Company believes that the accompanying disclosures are adequate to make the information presented not misleading. The accompanying unaudited financial statements should be read in conjunction with the financial statements and notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2020 as filed with the SEC. Operating results for the three and nine months ended September 30, 2021 are not necessarily indicative of the results that may be expected for the year ending December 31, 2021.

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.

Recently Adopted Accounting Pronouncements

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 US 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. The Company adopted this pronouncement on January 1, 2021, and there was not a material impact on the financial statements.

In August 2020, the FASB issued ASU No. 2020-06, *Debt – Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging – Contracts in Entity's Own Equity (Subtopic 815-40), Accounting for Convertible Instruments and Contracts in an Entity's Own Equity.* The amendments in this Update affect entities that issue convertible instruments and/or contracts in an entity's own equity. For convertible instruments, the instruments primarily affected are those issued with beneficial conversion features or cash conversion features because the accounting models for those specific features are removed. However, all entities that issue convertible instruments are affected by the amendments to the disclosure requirements in this Update. For contracts in an entity's own equity, the contracts primarily affected are freestanding instruments and embedded features that are accounted for as derivatives under the prior guidance because of failure to meet the settlement conditions of the derivatives scope exception related to certain requirements of the settlement assessment. FASB simplified the settlement assessment by removing the requirements (1) to consider whether the contract would be settled in registered shares, (2) to consider whether collateral is required to be posted, and (3) to assess shareholder rights. Those amendments also affect the assessment of whether an embedded conversion feature in a convertible instrument qualifies for the derivatives scope exception. Additionally, the amendments in this Update affect the diluted EPS calculation for instruments that may be settled in cash or shares and for convertible instruments. The amendments in this Update are effective for public business entities that meet the definition of a Securities and Exchange Commission (SEC) filer, excluding entities eligible to be smaller reporting companies as defined by the SEC, for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years. Early adoption is permitted, but no earlier than fiscal years beginning after December 15, 2020, including interim periods within those fiscal years. The FASB specified that an entity should adopt the guidance as of the beginning of its annual fiscal year. The FASB decided to allow entities to adopt the guidance through either a modified retrospective method of transition or a fully retrospective method of transition. The Company adopted the modified retrospective transition method of this pronouncement on January 1, 2021 and as a result reclassified $10,987,578 between debt and accumulated deficit.

Recently Issued Accounting Pronouncements Not Yet Adopted

As of September 30, 2021, there are no recently issued accounting standards not yet adopted which would have a material effect on the Company's financial statements.

NOTE 2 – MANAGEMENT PLANS

The accompanying 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 subscription revenue paid monthly, 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.

The Covid-19 pandemic caused a significant economic slowdown that adversely affected the demand for services. While the Company expects this matter to negatively impact its results of operations, cash flow and financial position, the future financial impact cannot be reasonably estimated at this time.

As of November 15, 2021, the Company has a cash position of approximately $1.2 million. 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 January 2022.

NOTE 3 – IMPAIRMENT OF LONG-LIVED ASSETS

On January 1, 2021, REGO entered into a Purchase of Business Agreement ("Agreement") with Chore Check, LLC pursuant to which it purchased the assets of Chore Check, LLC, consisting primarily of a software application, valued at $111,817, fair value. The consideration for the acquisition consisted of the issuance of an option to purchase 100,000 shares of the Company's common stock, with an exercise price of $0.90, vesting immediately and with a term of three years.

Long-lived assets are tested for impairment by performing a qualitative assessment to determine whether it is more likely than not that the fair value is less than the carrying value. Long-lived assets are considered impaired if the carrying value exceeds its fair value. We determined that the carrying value of the asset acquired from Chore Check, LLC exceeded its fair value and have recorded an impairment loss in the amount of $111,817 as of March 31, 2021, which is included in general and administrative expenses.

NOTE 4 – ACCOUNTS PAYABLE AND ACCRUED EXPENSES - RELATED PARTIES

As of September 30, 2021 and December 31, 2020, the Company owed the Chief Executive Officer, who is also a more than 5% beneficial owner, a total of $127,877 and $184,507, consisting of $127,877 and $78,462 in unpaid salary and consulting fees to a company owned by the Chief Executive Officer of $0 and $106,045.

Additionally, as of September 30, 2021 and December 31, 2020, the Company owed the son of a more than 5% beneficial owner, Chief Executive Officer, President and Board member, $10,349 and $21,549, pursuant to a consulting agreement.

As of September 30, 2021 and December 31, 2020, the Company owed the Chief Financial Officer $31,373 and $83,648 in unpaid salary.

NOTE 5 – PAYCHECK PROTECTION PROGRAM LOAN PAYABLE

During April 2020, the Company received $2,000 from the Emergency Injury Disaster Loan program and $79,500 from the Paycheck Protection Program. The Company has spent all of the proceeds under these programs for payroll related expenses.

In accordance with FASB ASC 470, *Debt*, the Company recorded the loans as a current liability in the amount of $81,500. The Company recorded derecognition of the liability in accordance with FASB ASC 405-20, *Liabilities-Extinguishment of Liabilities*, when either (1) the loan is, in part or wholly, forgiven and the Company has been legally released or (2) the Company pays off the loan.

On January 28, 2021, the Company received notification from the lender that its Paycheck Protection Program loan had been forgiven in full by the Small Business Administration in the amount of $79,500, and that no further payments were required. Therefore, the Company recorded derecognition of the liability in accordance with FASB ASC 405-20, *Liabilities-Extinguishment of Liabilities*, when the loan was, in part or wholly, forgiven and the Company was legally released. The Paycheck Protection Program loan was recognized as forgiveness of debt.

Additionally, the Economic Injury Disaster Loan of $2,000 ($1,000 per employee) does not require repayment and was also recognized as forgiveness of debt.

NOTE 6 – LOANS PAYABLE

Loans payable as of September 30, 2021 and December 31, 2020 were $42,600. Interest accrued on the loans at 0% and 10% was $3,550 and $2,790 as of September 30, 2021 and December 31, 2020. Interest expense related to these loans payable was $256 and $760 for the three and nine months ended September 30, 2021 and $1,465 and $4,366 for the three and nine months ended September 30, 2020.

NOTE 7 – DEFERRED REVENUE

The Company received $200,000 in May 2018 as a down payment to develop software for the automotive industry.

During the nine months ended September 30, 2021, the Company exchanged $200,000 of deferred revenue for a 10% Secured Convertible Note Payable in the amount of $200,000 (Note 8).

NOTE 8 – 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 to October 31, 2022, 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 Note holders and a collateral agent acting on behalf of the Note holders (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.

During the nine months ended September 30, 2021, the Company exchanged $200,000 of deferred revenue for a 10% Secured Convertible Note Payable in the amount of $200,000 (Note 7).

The Notes are recorded as a long-term liability as of September 30, 2021 and a current liability as of December 31, 2020 in the amount of $3,316,357 and 3,116,357. Interest accrued on the Notes was $2,096,693 and $1,855,368 as of September 30, 2021 and December 31, 2020. Interest expense related to these Notes payable was $82,909 and $241,325 for the three and nine months ended September 30, 2021 and $70,329 and $210,987 for three and nine months ended September 30, 2020.

NOTE 9 – NOTES PAYABLE – STOCKHOLDERS

During the nine months ended September 30, 2021 and 2020, the Company issued $100,000 and $0 aggregate principal amount of its notes payable - stockholders with no formal repayment terms and 10% interest. This loan also included an option to purchase 100,000 shares of the Company's common stock with an exercise price of $1.20 and a term of two years. The option was valued at $74,518 fair value, using the Black-Scholes option pricing model to calculate the grant-date fair value of the option, with the following assumptions: no dividend yield, expected volatility of 124.3%, risk free interest rate of 0.11% and expected life of 2 years. The relative fair value of the option of $42,699 was recorded as a discount to the loan payable in accordance with FASB ASC 835-30-25, *Recognition,* and was accreted over the term of the note payable for financial statement purposes. The note payable was repaid in full, plus interest, on March 2, 2021 and the full amount of the discount was accreted to interest expense.

During the nine months ended September 30, 2021, the Company repaid $50,000 principal of one of the loans outstanding and then later exchanged the remaining $450,000 principal of that loan for a 4% Secured Convertible Note in the amount of $517,000, which included accrued interest of $67,000 (Note 10). The holder of this Note was given an option to purchase a total of 88,889 shares of the Company's Series B Preferred Stock, which requires all cash purchases of Series B Preferred Stock at $90.00 per share, as detailed below, to be made to the Company by the due dates in order to prevent the termination of the option as follows:

1. $200,000 on or before July 20, 2021, unless the option has previously terminated.
2. $250,000 on or before August 23, 2021, unless the option has previously terminated.
3. $300,000 on or before October 4, 2021, unless the option has previously terminated.
4. $350,000 on or before November 5, 2021, unless the option has previously terminated.
5. $400,000 on or before December 6, 2021, unless the option has previously terminated.
6. $500,000 on or before January 3, 2022, unless the option has previously terminated.
7. In order to prevent the termination of the option, unless it has previously terminated, the Holder of the option must purchase $500,000 of the Company's Series B Preferred Stock (5,556 shares) on or before February 7, 2022 and continuing on the first Monday of every subsequent month, until a total of $8 million of the Company's Series B Preferred Stock has been purchased.

8. In addition to the other termination clauses, the option will terminate and be of no further force or effect ten days after the occurrence of any of the following events, however nothing will prevent the holder from purchasing up to $8 million in the aggregate of the Company's Series B Preferred Stock during the ten day period:
    a. Execution by the Company of an engagement letter with a "major bracket" investment banking firm.
    b. Upon the Company entering into a definitive agreement with respect to a specified Norway white label transaction.
    c. Upon the MazoolaPay^{SM} technology becoming integrated and operational on any one of the following websites:
        i. Demandware
        ii. Magento
        iii. WooCommerce
        iv. Shopify
        v. BigCommerce
        vi. Wix
        vii. Squarespace
        viii. Square Online
    d. Upon the Company entering into a definitive agreement to white label the MazoolaPay^{SM} technology with a banking institution with assets in excess of $1.5 billion, excluding Origin Bank.

The option to purchase $8 million of the Company's Series B Preferred Stock with an exercise price of $90.00, a term of 1.5 months and fully vested was valued at $0, fair value. The option was valued using the Black-Scholes option pricing model to calculate the grant-date fair value of the option, with the following assumptions: no dividend yield, expected volatility of 0%, risk free interest rate of 0.04% and expected life of 1.5 months.

The options to purchase Series B Preferred Stock on July 20, 2021 and August 23, 2021, were exercised by the holder of the note payable and the Company issued 5,000 shares of Series B Preferred Stock (Note 12).

On September 30, 2021, the Company extended the deadline date for the exercise of the option expiring on October 4, 2021 to November 1, 2021 related to the $517,000 note payable (Note 9) and revalued the option accordingly. The option to purchase $8 million of the Company's Series B Preferred Stock with an exercise price of $90.00, a term of 1.5 months and fully vested was revalued at $0, fair value. The option was valued using the Black-Scholes option pricing model to calculate the grant-date fair value of the option, with the following assumptions: no dividend yield, expected volatility of 0%, risk free interest rate of 0.07% and expected life of 1.5 months.

These notes payable are recorded as a current liability as of September 30, 2021 and December 31, 2020 in the amount of $595,000 and $1,095,000. Interest accrued on the notes, as of September 30, 2021 and December 31, 2020 was $174,781 and $115,917. Interest expense including accretion of discount was $20,844 and $204,411 for the three and nine months ended September 30, 2021 and $21,727 and $104,740 for the three and nine months ended September 30, 2020.

NOTE 10 – 4% SECURED CONVERTIBLE NOTES PAYABLE - STOCKHOLDERS

On August 26, 2016, the Company, pursuant to a Securities Purchase Agreement, issued $600,000 aggregate principal amount of its 4.0% Secured Convertible Promissory Notes due June 30, 2019 (the "New Secured Notes") to certain accredited investors ("investors"). The Company issued additional New Secured Notes during 2016, 2017, 2018, 2019 and 2020.

The New Secured Notes are convertible by the holders, at any time, into shares of the Company's authorized 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 maturity dates of the New Secured Notes were extended by the investors to October 31, 2022.

During the nine months ended September 30, 2021, the Company issued $4,770,000 aggregate principal amount of its New Secured Notes to certain investors.

In addition, during the nine months ended September 30, 2021, the Company exchanged the remaining $450,000 principal of a Note Payable and accrued interest of $67,000 for a for 4% Secured Convertible Note in the amount of $517,000 (Note 9).

The New Secured Notes are recorded as a long-term liability in the amount of $14,781,250 as of September 30, 2021 and a current liability in the amount of $9,494,250 as of December 31, 2020. Interest accrued on the New Secured Notes was $1,404,707 and $1,019,180 as of September 30, 2021 and December 31, 2020. Interest expense related to these notes payable was $148,036 and $385,527 for the three and nine months ended September 30, 2021 and $88,405 and $237,711 for the three and nine months ended September 30, 2020.

NOTE 11 – INCOME TAXES

Income tax expense was $0 for the three and nine months ended September 30, 2021 and 2020.

As of January 1, 2021, the Company had no unrecognized tax benefits, and accordingly, the Company did not recognize interest or penalties during 2021 related to unrecognized tax benefits. There has been no change in unrecognized tax benefits during the three and nine months ended September 30, 2021, and there was no accrual for uncertain tax positions as of September 30, 2021. Tax years from 2017 through 2020 remain subject to examination by major tax jurisdictions.

There is no income tax benefit for the losses for the three and nine months ended September 30, 2021 and 2020, since management has determined that the realization of the net tax deferred asset is not assured and has created a valuation allowance for the entire amount of such benefits.

NOTE 12 – 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 its original issue price, or $20,470,000, 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 its 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 or $8.00 per Series A Preferred Share.

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

On January 1, 2021, upon adoption of FASB ASU No. 2020-06, *Debt – Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging – Contracts in Entity's Own Equity (Subtopic 815-40), Accounting for Convertible Instruments and Contracts in an Entity's Own Equity*, the Company reclassified the embedded derivative value of the beneficial conversion feature of the Series A Preferred Stock issued in January 2014 valued at $3,481,050 as of December 31, 2020, to retained earnings. The Company also reclassified the embedded derivative value of the beneficial conversion feature of the Series A Preferred Stock issued in April 2014 valued at $5,349,800 as of December 31, 2020, to accumulated deficit.

During the nine months ended September 30, 2021, certain holders of the Series A Preferred Stock converted 5,500 shares of the Series A Preferred Stock into 611,111 shares of the Company's common stock. The Company reversed the cumulative accrued dividends associated with the shares upon conversion in the amount of $342,167.

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 its original issue price, or $6,058,080, 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 its 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 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.

On January 1, 2021, upon adoption of FASB ASU No. 2020-06, *Debt – Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging – Contracts in Entity's Own Equity (Subtopic 815-40), Accounting for Convertible Instruments and Contracts in an Entity's Own Equity*, the Company reclassified the embedded derivative liability relative to the beneficial conversion feature of the Series B Preferred Stock issued in October 2014 valued at $2,156,728 as of December 31, 2020, to accumulated deficit.

During the third quarter of 2021, the Company sold 5,278 shares of the Company's Series B Preferred Stock in private placements to accredited investors and received proceeds of $475,020, of which $450,000 was from the exercise of options issued with notes payable – stockholders (Note 9).

Rego Payment Architectures, Inc. Series C Preferred Stock

In August 2016, Rego authorized 150,000 shares of Rego's Series C Cumulative Convertible Preferred Stock ("Series C Preferred Stock"). On August 23, 2021, Rego filed with the Delaware Secretary of State an Amendment to Certificate of Designation of Preferences, Rights and Limitations of Series C Cumulative Convertible Preferred Stock, pursuant to which the amount of authorized Series C Preferred Stock was increased from 150,000 shares to 300,000 shares. As of September 30, 2021, none of the Series C Preferred Stock was 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 its 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 its 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. There are no outstanding Series C Preferred Shares, therefore the current per annum dividend per share is $0.

As of September 30, 2021, the value of the cumulative 8% dividends for all Rego preferred stock was $7,598,918. Such dividends will be paid when and if declared payable by Rego'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 at an original issue price of $3 per unit (the "ZS Original Series A Issue Price"), which includes one share of ZS' Series A Cumulative Convertible Preferred Stock (the "ZS Series A Preferred Stock") and one warrant to purchase one share of ZS' 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 on the ZS Series A Preferred Stock 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 ZS Original Series A Issue Price to be paid out of assets available for distribution prior to holders of ZS common stock and thereafter participates with the holders of ZS common stock in any remaining proceeds subject to an aggregate cap of 2.5 times the ZS Original Series A Issue Price. The ZS 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.

As of September 30, 2021, the value of the cumulative 8% dividends for ZS preferred stock was $58,333. Such dividends will be paid when and if declared payable by the ZS' 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 13 – STOCKHOLDERS' EQUITY

The Company entered into a financial advisory agreement in November 2018 whereby generally the Company will pay the financial advisor a success fee equal to 6% of the capital committed in a capital transaction involving the sale of the Company.

Option Amendments and Adjustments

On June 3, 2021, the Board of Directors approved amendments extending the term of certain outstanding options to purchase in the aggregate 600,000 shares of common stock of the Company at exercise prices of $0.90 per share. These options were scheduled to expire at various dates during 2021 and were each extended to June 15, 2022. The increase in fair value of this term extension was $258,622 which was expensed during the nine months ended September 30, 2021. The Company used the Black-Scholes option pricing model to calculate the increase in fair value, with the following assumptions for the extended options: no dividend yield, expected volatility of 116.9%, risk free interest rate of 0.04%, and expected option life of 1.03 years.

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 independent of option grants and 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.

During the three months ended March 31, 2021, the Company issued 150,000 shares of the Company's common stock with a value of $0.90 at the time of issuance, with a fair value of $135,000, to a vendor in settlement of $135,000 of accounts payable.

During the three months ended March 31, 2021, the Company issued a Board Member and the Chief Financial Officer 400,000 shares of the Company's common stock each, with an aggregate fair value of $920,000 upon the launch of the Mazoola^{SM} app. The Chief Executive Officer, who is also a Board Member, received 500,000 shares of the Company's common stock, with an aggregate fair value of $575,000.

During the three months ended March 31, 2021, the Company issued the Chief Executive Officer, who is also a Board Member, 500,000 shares of the Company's common stock with an aggregate fair value of $435,000, upon the Company raising $2,000,000.

During the three months ended March 31, 2021, an employee exercised an option to purchase 80,000 shares of the Company's common stock at $0.25 per share or $20,000.

During the three months ended June 30, 2021, the Company issued the Chief Executive Officer, who is also a Board Member, 600,000 shares of the Company's common stock with an aggregate fair value of $621,000, upon the Company raising funds above the previous $2 million requirement.

During the three months ended June 30, 2021, an employee exercised an option to purchase 37,500 shares of the Company's common stock at $0.25 per share on a cashless basis. This netted the employee 28,125 shares of the Company's common stock.

NOTE 14 – 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 stockholders. 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 2008 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 September 30, 2021, under the 2008 Plan, options to purchase 1,250,000 shares of common stock have been issued and are unexercised, and 0 shares are available for grants under the 2008 Plan. The 2008 Plan expired on March 3, 2019.

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 September 30, 2021, under the 2013 Plan, grants of restricted stock and options to purchase 4,700,000 shares of common stock have been issued and are unexercised, and 300,000 shares of common stock remain available for grants under the 2013 Plan.

The 2013 Plan is 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 2013 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 the Company's estimate of volatility that is based on the volatility of other public companies that are in closely related industries to the Company. 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 common stock.

The following table presents the weighted-average assumptions used to estimate the fair values of the stock options granted by REGO during the nine months ended September 30, 2021:

Risk Free Interest Rate	0.3%
Expected Volatility	138.7%
Expected Life (in years)	3.1
Dividend Yield	0%
Weighted average estimated fair value of options during the period	$ 0.75

During the nine months ended September 30, 2021, the Company issued options to purchase 3,147,500 shares of the Company's common stock to various consultants and employees. The options were valued at $2,333,411 fair value, using the Black-Scholes option pricing model to calculate the grant-date fair value of the options. The fair value of options was expensed immediately. The Company also issued an option to purchase 100,000 shares of the Company's common stock to Chore Check, LLC with a fair value of $111,817. The $111,817 was capitalized as fixed assets and subsequently deemed to be impaired in full and expensed (Note 3).

The following table summarizes the activities for REGO’s stock options for the nine months ended September 30, 2021:

	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, 2020	10,012,500	$ 0.50	2.5	$ 8,782
Granted	3,247,500	0.93		
Exercised	(117,500)	0.25		
Expired	(1,350,000)	0.75		
Balance, September 30, 2021	11,792,500	$ 0.59	2.2	$ 4,804
Exercisable at September 30, 2021	11,792,500	$ 0.59	2.2	$ 4,804
Exercisable at September 30, 2021 and expected to vest thereafter	11,792,500	$ 0.59	2.2	$ 4,804

(1) The aggregate intrinsic value is calculated as the difference between the exercise price of the underlying options and the closing stock price of $0.99 for Rego’s common stock on September 30, 2021.

Rego expensed $13,320 and $2,592,036 for the three months and nine months ended September 30, 2021 and $667,670 and $719,117 for the three and nine months ended September 30, 2020 with respect to options.

As of September 30, 2021, there was $0 of unrecognized compensation cost related to outstanding stock options. The difference, if any, between the stock options exercisable at September 30, 2021 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 warrants for the nine months ended September 30, 2021:

	Warrants 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, 2020	3,375,000	$	0.90	1.1	$	1,620
Expired	(175,000)		0.90	-		
Balance, September 30, 2021	3,200,000	$	0.90	0.4	$	286
Exercisable at September 30, 2021	3,200,000	$	0.90	0.4	$	286
Exercisable at September 30, 2021 and expected to vest thereafter	3,200,000	$	0.90	0.4	$	286

(1) The aggregate intrinsic value is calculated as the difference between the exercise price of the underlying warrants and the closing stock price of $0.99 for Rego's common stock on September 30, 2021.

Rego expensed $0 for the three and nine months ended September 30, 2021 and $59,563 and $184,048 for the three and nine months ended September 30, 2020 with respect to warrants.

All warrants were vested on the date of grant.

The following table summarizes the activities for ZS's stock options for the nine months ended September 30, 2021:

	ZS 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, 2020	1,600,000	$	5.00	3.0	$	-
Balance, September 30, 2021	1,600,000	$	5.00	2.2	$	-
Exercisable at September 30, 2021	1,600,000	$	5.00	2.2	$	-
Exercisable at September 30, 2021 and expected to vest thereafter	1,600,000	$	5.00	2.2	$	-

(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 September 30, 2021.

For the three and nine months ended September 30, 2021 and 2020, ZS expensed $0 with respect to options.

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The following table summarizes the activities for ZS's warrants for the nine months ended September 30, 2021:

	ZS Warrants Outstanding			
	Number of Shares	Average Exercise Price	Weighted - Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in 000's) (1)
Balance, December 31, 2020	83,334	$ 3.00	0.9	$ 83
Balance, September 30, 2021	83,334	$ 3.00	0.1	$ 83
Exercisable at September 30, 2021	83,334	$ 3.00	0.1	$ 83
Exercisable at September 30, 2021 and expected to vest thereafter	83,334	$ 3.00	0.1	$ 83

(1) The aggregate intrinsic value is calculated as the difference between the exercise price of the underlying warrants and the value of $4.00 for ZS's common stock on September 30, 2021.

For the three and nine months ended September 30, 2021 and 2020, ZS expensed $0 with respect to warrants.

The following table summarizes the activities for ZCS's stock options for the nine months ended September 30, 2021:

	ZCS 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, 2020	1,600,000	$ 5.00	3.0	$ -
Balance, September 30, 2021	1,600,000	$ 5.00	2.2	$ -
Exercisable at September 30, 2021	1,600,000	$ 5.00	2.2	$ -
Exercisable at September 30, 2021 and expected to vest thereafter	1,600,000	$ 5.00	2.2	$ -

(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 September 30, 2021.

For the three and nine months ended September 30, 2021 and 2020, ZCS expensed $0 with respect to options.

NOTE 15 – NONCONTROLLING INTERESTS

Losses incurred by the noncontrolling interests for the three and nine months ended September 30, 2021 were $0 and $101 and for the three and nine months ended September 30, 2020 were $313 and $1,039.

NOTE 16 – OPERATING LEASES

For the three and nine months ended September 30, 2021, total rent expense under leases amounted to $805 and $3,087 and for the three and nine months ended September 30, 2020, total rent expense under leases amounted to $1,130 and $13,116. The Company has elected not to recognize right-of-use assets and lease liabilities arising from short-term leases. The Company has no long-term lease obligations as of September 30, 2021.

NOTE 17 – SUBSEQUENT EVENTS

On October 29, 2021, the Company extended the deadline date for the exercise of the option expiring on November 1, 2021 to November 23, 2021 related to the $517,000 note payable (Note 9) and revalued the option accordingly. The option to purchase $8 million of the Company's Series B Preferred Stock with an exercise price of $90.00, a term of 0.1 months and fully vested was revalued at $0, fair value. The option was valued using the Black-Scholes option pricing model to calculate the grant-date fair value of the option, with the following assumptions: no dividend yield, expected volatility of 0%, risk free interest rate of 0.05% and expected life of 0.1 months.

On November 5, 2021, the Company sold 556 shares of the Company's Series B Preferred Stock in a private placement to an accredited investor and received proceeds of $50,000.

On November 8, 2021, two Series A Preferred shareholders elected to convert a total of 750 shares of the Company's Series A Preferred stock into 83,333 shares of the Company's common stock.