# 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 March 31, 2019**

☐ **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.)** |
| **18327 Gridley Road, Suite K** | **90703** |
| **Cerritos, CA** | |
| **(Address of Principal Executive Offices)** | **(Zip Code)** |

**(561)220-0408**
**(Registrant's Telephone Number, Including Area Code)**

(Former name, former address and former fiscal year, if changed since last report)

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 ☒

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 the number of shares outstanding of each of the issuer’s classes of common stock, as of the latest practicable date: 119,596,866 shares of common stock outstanding at May 15, 2019.

## PART I - FINANCIAL INFORMATION


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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, 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, 2018 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.*

## ITEM 1. FINANCIAL STATEMENTS

Rego Payment Architectures, Inc.

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Rego Payment Architectures, Inc.
Condensed Consolidated Balance Sheets
March 31, 2019 and December 31, 2018

| | March 31, 2019 (Unaudited) | December 31, 2018 (Audited) |
|---|---|---|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | $ 67,734 | $ 10,733 |
| Accounts receivable | 6,870 | 1,923 |
| Prepaid expenses | 42,337 | 19,505 |
| Deposits | 46,218 | 26,218 |
| TOTAL CURRENT ASSETS | 163,159 | 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 $170,569 and $163,240 | 376,613 | 383,942 |
| Investment | 115,000 | 115,000 |
| | 491,613 | 498,942 |
| TOTAL ASSETS | $ 654,772 | $ 557,321 |
| LIABILITIES AND STOCKHOLDERS' DEFICIT | | |
| CURRENT LIABILITIES | | |
| Accounts payable and accrued expenses | $ 4,266,696 | $ 4,119,976 |
| Accounts payable and accrued expenses - related parties | 507,762 | 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 | 127,000 | 134,000 |
| 4% Secured convertible notes payable - stockholders | 7,387,250 | 6,487,250 |
| Preferred stock dividend liability | 5,292,781 | 5,021,000 |
| TOTAL CURRENT LIABILITIES | 20,680,246 | 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 March 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 March 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 March 31, 2019 and December 31, 2018 | - | - |

| | | |
|---|---|---|
| Common stock, $ .0001 par value; 230,000,000 shares authorized; 119,596,866 shares issued and outstanding at March 31, 2019 and December 31, 2018 | 11,960 | 11,960 |
| Additional paid in capital | 59,793,042 | 59,548,971 |
| Accumulated deficit | (80,053,011) | (78,880,134) |
| Noncontrolling interests | 222,521 | 233,278 |
| STOCKHOLDERS' DEFICIT | (20,025,474) | (19,085,911) |
| TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT | $ 654,772 | $ 557,321 |

See the accompanying notes to the condensed consolidated financial statements.

Rego Payment Architectures, Inc.
Condensed Consolidated Statements of Operations
For the Three Months Ended March 31, 2019 and 2018
(Unaudited)

| | For the Three Months Ended Ended March 31, | |
|---|---|---|
| | 2019 | 2018 |
| SALES | $ 19,259 | $ - |
| OPERATING EXPENSES | | |
| Sales and marketing | 30,304 | 8,200 |
| Product development | 213,557 | 174,501 |
| General and administrative | 521,535 | 571,939 |
| Total operating expenses | 765,396 | 754,640 |
| NET OPERATING LOSS | (746,137) | (754,640) |
| OTHER EXPENSE | | |
| Interest expense | (165,717) | (330,227) |
| | (165,717) | (330,227) |
| NET LOSS | (911,854) | (1,084,867) |
| LESS: Accrued preferred dividends | (266,780) | (268,280) |
| Net loss attributable to noncontrolling interests | 5,757 | 6,433 |
| NET LOSS ATTRIBUTABLE TO COMMON STOCKHOLDERS | $ (1,172,877) | $ (1,346,714) |
| BASIC AND DILUTED NET LOSS PER COMMON SHARE | $ (0.01) | $ (0.01) |
| BASIC AND DILUTED WEIGHTED AVERAGE COMMON SHARES OUTSTANDING | 119,346,866 | 118,346,866 |

See the accompanying notes to the condensed consolidated financial statements.

# Rego Payment Architectures, Inc.
## Condensed Consolidated Statement of Changes in Stockholders' Deficit
## For the Three Months Ended March 31, 2019

| | 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, 2018 (Audited) | 107,850 | $ 11 | 28,378 | $ 3 | - | $ - | 119,596,866 | $ 11,960 | $59,548,971 | $(78,880,134) | $ 233,278 | $(19,085,911) |
| Issuance of warrants for interest expense | - | - | - | - | - | - | - | - | 21,305 | - | - | 21,305 |
| Fair value of options for services | - | - | - | - | - | - | - | - | 222,766 | - | - | 222,766 |
| Accrued preferred dividends | | | | | | | | | | (266,780) | (5,000) | (271,780) |
| Net loss | - | - | - | - | - | - | - | - | - | (906,097) | (5,757) | (911,854) |
| Balance March 31, 2019 (Unaudited) | 107,850 | $ 11 | 28,378 | $ 3 | - | $ - | 119,596,866 | $ 11,960 | $59,793,042 | $(80,053,011) | $ 222,521 | $(20,025,474) |

## Condensed Consolidated Statement of Changes in Stockholders' Deficit
## For the Three Months Ended March 31, 2018

| | 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 | Deferred Compensation | Accumulated Deficit | Noncontrolling Interests | Total |
| Balance, December 31, 2017 (Audited) | 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 | - | - | - | - | - | - | - | - | 191,737 | - | - | - | $ 191,737 |
| Stock based compensation expense | - | - | - | - | - | - | - | - | 133,757 | | - | - | $ 133,757 |
| Amortization of deferred compensation | - | - | - | - | - | - | - | - | - | 9,375 | - | - | $ 9,375 |
| Accrued preferred dividends | - | - | - | - | - | - | - | - | - | - | (268,280) | - | $ (268,280) |
| Net loss | - | - | - | - | - | - | - | - | - | - | (1,078,434) | (6,333) | $ (1,084,767) |
| Balance, March 31, 2018 (Unaudited) | 107,850 | $ 11 | 28,378 | $ 3 | - | $ - | 118,596,866 | $ 11,860 | $56,715,983 | $ (21,875) | $(73,459,436) | $ (6,333) | $(16,759,787) |

See the accompanying notes to the condensed consolidated financial statements.

Rego Payment Architectures, Inc.
Condensed Consolidated Statements of Cash Flows
For the Three Months Ended March 31, 2019 and 2018
(Unaudited)

| | For the Three Months Ended March 31, | |
|---|---|---|
| | 2019 | 2018 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net loss | $ (911,854) | $ (1,084,867) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Fair value of warrants issued for interest on notes payable | 21,305 | 191,737 |
| Fair value of options issued in exchange for services | 222,766 | 133,757 |
| Fair value of common stock issued in exchange for services | - | 9,375 |
| Accretion of discount on notes payable | - | 3,264 |
| Depreciation and amortization | 7,329 | 7,663 |
| (Increase) decrease in assets | | |
| Accounts receivable | (4,947) | - |
| Prepaid expenses | (22,831) | 22,900 |
| Deposits | (20,000) | - |
| Increase (decrease) in liabilities | | |
| Accounts payable and accrued expenses | 146,720 | 163,193 |
| Accounts payable and accrued expenses - related parties | 79,513 | 101,189 |
| Net cash used in operating activities | (481,999) | (451,789) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from loans payable | - | 42,265 |
| Repayment of loans payable | (4,000) | (27,450) |
| Proceeds from convertible notes payable - stockholders | 550,000 | 250,000 |
| Repayment of notes payable - stockholders | (7,000) | - |
| Proceeds from convertible notes payable | - | 183,250 |
| Net cash provided by financing activities | 539,000 | 448,065 |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 57,001 | (3,724) |
| CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD | 10,733 | 7,232 |
| CASH AND CASH EQUIVALENTS - END OF PERIOD | $ 67,734 | $ 3,508 |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION: | | |
| Cash paid during year for: | | |
| Interest | $ - | $ - |
| Income taxes | $ - | $ - |
| SUPPLEMENTAL DISCLOSURE OF NON-CASH FINANCING ACTIVITIES: | | |
| Accrued preferred dividends | $ 271,781 | $ 268,280 |
| Exchange of 10% secured convertible notes payable for 4.0% secured convertible notes payable | $ 350,000 | $ 100,000 |

See the accompanying notes to the condensed consolidated financial statements.

Rego Payment Architectures, Inc.
Notes to 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 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 as a wholly owned subsidiary of Zoom Payment Solutions, LLC. ZPS is now a wholly owned subsidiary of ZS with the core focus on providing mobile payments solutions. ZPS has secured a sublicense from ZS for Oink (a payment platform owned by REGO) and access to the patents from REGO and is intended to launch a fully COPPA compliant platform in the fourth quarter of 2019. ZPS is also currently in discussions with several Northwest Arkansas ("NW") companies to provide a white label payments application for their employees inclusive of a family wallet as well as financial literacy education. ZPS has also commenced initial discussions with a communications company from Montreal, Canada to collaborate on global payments solutions for the unbanked and underbanked.

**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. ZBS provides a boutique agency approach to work with companies in NW Arkansas to build disruptive networks that will provide an enhanced customer experience, drive efficiency and build transparency and trust from the consumer base. ZBS has commenced discussions and is under a Non-Disclosure Agreement with a leading retailer to provide a blockchain solution for the enterprise.

ZBS is also negotiating a joint venture in the auto sector to develop a disruptive solution, powered by blockchain, that will enable a consumer centric approach to buying and selling cars as well as provide a concierge approach to car supply and maintenance.

**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.
>
> UNLIMITED CLOUD CAPABILITES - The data will reside 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 will get 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 and will be providing blockchain solutions to the auto industry. ZAS has had minimal operations since inception.

The Company's principal office is located in Cerritos, California.

***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 2018 Annual Report on 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, 2018 as filed with the SEC. Operating results for the three months ended March 31, 2019 are not necessarily indicative of the results that may be expected for the year ending December 31, 2019.

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 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 under the optional transition method which allows the entity to apply the new lease standard at the adoption date and recognize a cumulative-effect adjustment, if any, to the opening balance of retained earnings in the period of adoption. The Company has elected not to recognize right-of-use assets and lease liabilities arising from short-term leases and therefore the standard did not have a material impact on the consolidated statements.

***Recently Issued Accounting Pronouncements Not Yet Adopted***

As of March 31, 2019, 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.

As of May 15, 2019, the Company has a cash position of approximately $10,000. 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 May 2019.

**NOTE 3 – ACCOUNTS PAYABLE AND ACCRUED EXPENSES - RELATED PARTIES**

As of March 31, 2019 and December 31, 2018, the Company owed the Chief Executive Officer a total of $270,419 and $210,032, consisting of $266,884 and $207,845 in unpaid salary and expenses of $3,535 and $2,187.

As of March 31, 2019 and December 31, 2018, the Company owed the Chief Financial Officer $95,892 and $84,296 consisting of $95,892 and $84,256 in unpaid salary and expenses of $0 and $40.

The Company owed a company owned by a more than 5% beneficial owner $126,838 and $113,920 as of March 31, 2019 and December 31, 2018, consisting of consulting fees of $120,450 and $113,920 and expenses of $6,388 and $0.

Additionally as of March 31, 2019 and December 31, 2018, the Company owed the son of a more than 5% beneficial owner $24,000 and $20,000, pursuant to a consulting agreement.

**NOTE 4 – LOANS PAYABLE**

During the three months ended March 31, 2019 and 2018, the Company received loans in the amount of $0 with no formal repayment terms and 10% interest. The Company received loans in the amount of $0 and $42,265 with no formal repayment terms and no interest, during the three months ended March 31, 2019 and 2018. The Company repaid $4,000 and $27,450 of these loans during the three months ended March 31, 2019 and 2018. The balance of the loans payable as of March 31, 2019 and December 31, 2018 was $85,600 and $89,600. Interest accrued on the loans was $10,737 and $9,253 as of March 31, 2019 and December 31, 2018. Interest expense related to these loans payable was $2,228 and $0 for the three months ended March 31, 2019 and 2018.

**NOTE 5 – 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 6 – 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, 2018 to September 6, 2019, 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 three months ended March 31, 2019, $350,000 of the Notes were exchanged for $350,000 of the 4% Secured Convertible Notes (See Note 8).

On March 6, 2018, the Company issued 2 year warrants to purchase 692,020 shares of the Company's common stock to the 10% Secured convertible 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 203.5% to 205.6%, risk free interest rate of 1.96% to 2.28% and expected term of 2.0 years.

The Notes are recorded as a current liability as of March 31, 2019 and December 31, 2018 in the amount of $2,813,157 and $3,163,157. Interest accrued on the Notes was $1,356,595 and $1,283,660 as of March 31, 2019 and December 31, 2018. Interest expense other than the warrant related interest expense in the paragraph above, related to these Notes payable was $72,935 and $88,507 for the three months ended March 31, 2019 and 2018.

**NOTE 7 – NOTES PAYABLE - STOCKHOLDERS**

On December 14, 2017, the Company issued a promissory note in the amount of $100,000, which is non-interest bearing 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. The note also includes a provision that the promissory note holder will receive additional warrants to purchase 25,000 shares of the Company's common stock for each week that the payment of the principal is past due. During the three months ended March 31, 2019 and 2018, the promissory note holder received additional warrants to purchase 175,000 shares and 325,000 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 and $62,934, 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 183.3% to 236.2%, risk free interest rate of 1.9% to 2.6% and expected option term of 2 years. The warrant value of $21,305 and $62,934 was expensed as interest expense during the three months ended March 31, 2019 and 2018.

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 Company also repaid $7,000 of the promissory notes during the three months ended March 31, 2019.

The notes payable are recorded as a current liability as of March 31, 2019 and December 31, 2018 in the amount of $127,000 and $134,000. Interest accrued on the notes, as of March 31, 2019 and December 31, 2018 was $1,828 and $1,084 Interest expense exclusive of the fair value of warrants above related to these notes payable was $744 and $0 for the three months ended March 31, 2019 and 2018.

**NOTE 8 – 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 and 2019.

The New Secured Notes are convertible by the holders, at any time, into shares of the Company's newly 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.

During the three months ended March 31, 2019, the Company issued $900,000 aggregate principal amount of its New Secured Notes to certain accredited investors. The aggregate consideration consisted of $550,000 cash and the exchange of $350,000 outstanding principal amount of 10% Secured Convertible Notes (See Note 6).

The New Secured Notes are recorded as a short-term liability in the amount of $7,387,250 and $6,487,250 as of March 31, 2019 and December 31, 2018. Interest accrued on the New Secured Notes was $464,216 and $394,967 as of March 31, 2019 and December 31, 2018. Interest expense, including accretion of discounts, related to these notes payable was $69,249 and $49,983 for the three months ended March 31, 2019 and 2018.

**NOTE 9 – INCOME TAXES**

Income tax expense was $0 for the three months ended March 31, 2019 and 2018.

As of January 1, 2019, the Company had no unrecognized tax benefits, and accordingly, the Company did not recognize interest or penalties during 2018 related to unrecognized tax benefits. There has been no change in unrecognized tax benefits during the three months ended March 31, 2019, and there was no accrual for uncertain tax positions as of March 31, 2019. Tax years from 2015 through 2018 remain subject to examination by major tax jurisdictions.

There is no income tax benefit for the losses for the three months ended March 31, 2019 and 2018, 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 10 – 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 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 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 days.

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 March 31, 2019 and December 31, 2018. 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 March 31, 2019 and December 31, 2018. 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 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 or $7.20 per Series B Preferred Share.

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.

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 March 31, 2019 and December 31, 2018. 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 also 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.

**Rego Payment Architectures, Inc. Series C Preferred Stock**

In August 2016, Rego authorized 150,000 shares of the Rego's Series C Cumulative Convertible Preferred Stock ("Series C"). As of March 31, 2019, none of the Series C shares are issued or outstanding. After the date of issuance of Series C, 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. There are no outstanding Series C Preferred Shares, therefore the current per annum dividend per share is $0.

As of March 31, 2019, the value of the cumulative 8% dividends for all Rego preferred stock was $5,292,781. Such dividends will be paid when and if declared payable by the 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.

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.

**NOTE 11 – STOCKHOLDERS' EQUITY**

***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, 2019 and 2018, the Company expensed $0 and $9,375 relative to restricted stock awards.

**NOTE 12 – 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 March 31, 2019, options to purchase 9,811,667 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 March 31, 2019, under the 2013 Plan grants of restricted stock and options to purchase 4,905,000 shares of common stock have been issued and are outstanding or unexercised, and 95,000 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 stock.

On January 9, 2019, the Company issued options to purchase an aggregate of 500,000 shares of the Company's common stock to four employees and a consultant. The options have an exercise price of $0.90, vest immediately and have a term of 5 years, with a fair value of $72,576 in total, which was expensed immediately.

On January 21, 2019, the Company issued options to purchase 50,000 shares of the Company'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 $7,562, which was expensed immediately.

On February 1, 2019, the Company issued options to purchase 25,000 shares of the Company'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 $3,593 in total. These options were issued to satisfy a ZS obligation in the amount of $15,000 and resulted in forgiveness of debt of $11,607.

The following table presents the weighted-average assumptions used to estimate the fair values of the stock options granted by REGO during the three months ended March 31, 2019:

| | 2019 |
|---|---|
| Risk Free Interest Rate | 2.57% |
| Expected Volatility | 170.0% |
| Expected Life (in years) | 2 to 5 |
| Dividend Yield | 0% |
| Weighted average estimated fair value of options during the period | $ 0.15 |

The following table summarizes the activities for REGO's stock options for the three months ended March 31, 2019:

| | 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, 2018 | 12,925,000 | $ 0.66 | 3.3 | 4 |
| Granted | 575,000 | 0.90 | | |
| Expired/cancelled | (183,333) | 0.91 | - | - |
| Balance March 31, 2019 | 13,316,667 | $ 0.67 | 3.1 | 27 |
| Exercisable at March 31, 2019 | 9,758,333 | $ 0.58 | 3.1 | $ 27 |
| Exercisable at March 31, 2019 and expected to vest thereafter | 13,316,667 | $ 0.67 | 3.1 | $ 27 |

(1) The aggregate intrinsic value is calculated as the difference between the exercise price of the underlying options and the closing stock price of $0.20 for REGO's common stock on March 31, 2019.

For the three months ended March 31, 2019 and 2018, Rego expensed $194,715 and $133,756 with respect to options.

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 March 31, 2019, there was $285,635 of unrecognized compensation cost related to outstanding stock options. This amount is expected to be recognized over a weighted-average period of 0.8 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 the Company's expectations. The difference between the stock options exercisable at March 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 stock options for the three months ended March 31, 2019:

| | Unvested Options | |
|---|---|---|
| | Number of Shares | Weighted - Average Grant Date Fair Value |
| Balance December 31, 2018 | 3,625,000 | $ 0.13 |
| Granted | 575,000 | 0.15 |
| Expired/cancelled | (66,667) | 0.25 |
| Vested | (575,000) | 0.15 |
| Balance March 31, 2019 | 3,558,333 | $ 0.16 |

The following table summarizes the activities for REGO's warrants for the three months ended March 31, 2019:

| | Number of Shares | Weighted-Average Exercise Price | Remaining Contractual Term (in years) | Aggregate Intrinsic Value (in 000's) (1) |
|---|---|---|---|---|
| Balance at December 31, 2018 | 3,052,020 | $ 0.90 | 1.3 | $ - |
| Granted | 175,000 | 0.90 | 2.0 | - |
| Balance at March 31, 2019 | 3,227,020 | $ 0.90 | 1.1 | $ - |
| Exercisable at March 31, 2019 | 3,227,020 | $ 0.90 | 1.1 | $ - |
| Exercisable at March 31, 2019 and expected to vest thereafter | 3,227,020 | $ 0.90 | 1.1 | $ - |

(1) The aggregate intrinsic value is calculated as the difference between the exercise price of the underlying warrants and the closing stock price of $0.20 for Rego's common stock on March 31, 2019.

All warrants were vested on the date of grant.

The following table summarizes the activities for ZS's stock options for the three months ended March 31, 2019:

| | 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, 2018 | 2,400,000 | $ 5.00 | 4.6 | $ - |
| Balance March 31, 2019 | 2,400,000 | $ 5.00 | 4.3 | $ - |
| Exercisable at March 31, 2019 | 2,400,000 | $ 5.00 | 4.3 | $ - |
| Exercisable at March 31, 2019 and expected to vest thereafter | 2,400,000 | $ 5.00 | 4.3 | $ - |

(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 March 31, 2019.

For the three months ended March 31, 2019, ZS expensed $28,051 with respect to options.

The following table summarizes the activities for ZS's warrants for the three months ended March 31, 2019:

| | 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 | $ - |
| Balance March 31, 2019 | 83,334 | $ 3.00 | 2.6 | $ - |
| Exercisable at March 31, 2019 | 83,334 | $ 3.00 | 2.6 | $ - |
| Exercisable at March 31, 2019 and expected to vest thereafter | 83,334 | $ 3.00 | 2.6 | $ - |

(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 March 31, 2019.

For the three months ended March 31, 2019, ZS expensed $0 with respect to warrants.

The following table summarizes the activities for ZBS's stock options for the three months ended March 31, 2019:

| | 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 March 31, 2019 | 100,000 | $ 5.00 | 1.4 | $ - |
| Exercisable at March 31, 2019 | 100,000 | $ 5.00 | 1.4 | $ - |
| Exercisable at March 31, 2019 and expected to vest thereafter | 100,000 | $ 5.00 | 1.4 | $ - |

(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 March 31, 2019.

For the three months ended March 31, 2019, ZBS expensed $0 with respect to options.

The following table summarizes the activities for ZCS's stock options for the three months ended March 31, 2019:

| | 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 March 31, 2019 | 2,200,000 | $ 5.00 | 4.6 | $ - |
| Exercisable at March 31, 2019 | 2,200,000 | $ 5.00 | 4.6 | $ - |
| Exercisable at March 31, 2019 and expected to vest thereafter | 2,200,000 | $ 5.00 | 4.6 | $ - |

(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 March 31, 2019.

For the three months ended March 31, 2019, ZCS expensed $0 with respect to options.

The following table summarizes the activities for ZPS's stock options for the three months ended March 31, 2019:

| | 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 March 31, 2019 | 100,000 | $ 5.00 | 1.4 | $ - |
| Exercisable at March 31, 2019 | 100,000 | $ 5.00 | 1.4 | $ - |
| Exercisable at March 31, 2019 and expected to vest thereafter | 100,000 | $ 5.00 | 1.4 | $ - |

(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 March 31, 2019.

For the three months ended March 31, 2019, ZPS expensed $0 with respect to options.

**NOTE 13 – NONCONTROLLING INTERESTS**

Losses incurred by the noncontrolling interests for the three months ended March 31, 2019 and 2018 were $5,757 and $6,333.

**NOTE 14 – OPERATING LEASES**

For the three months ended March 31, 2019 and 2018, total rent expense under leases amounted to $7,330 and $4,967. 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 March 31, 2019.

**NOTE 15 – RELATED PARTY TRANSACTIONS**

The Company has a consulting agreement with a company owned by a more than 5% beneficial owner, at a cost of $15,000 per month. For the three months ended March 31, 2019 and 2018, the Company expensed $45,000 to the consulting company.

The Company has a consulting agreement with the son of the principal of a company owned by a more than 5% beneficial owner, at a cost of $5,000 per month. For the three months ended March 31, 2019 and 2018, the Company expensed $15,000 to this consultant.

During the three months ended March 31, 2019, the Company received revenue from a technology company for the outsourcing of the Company's engineers for development. In addition, the Company paid this technology company $20,000 as a deposit for technical assistance with the Platform when it becomes necessary.

**NOTE 16 – SUBSEQUENT EVENTS**

On April 2, 2019, the Company extended by two years the term of options to purchase 150,000 shares of the Company's common stock with an exercise price of $0.90 which were to expire in June 2019. The fair value of the extended warrants was valued 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 182.9%, risk free interest rate of 2.3% and expected option life approximating two years. The Company recognized compensation expense of $21,964 which was charged to general and administrative expenses.

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

### 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 offices are located at 18327 Gridley Road, Suite K Cerritos, CA 90703 and our telephone number is (561) 220-0408.

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 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 CEO's focus is monetizing the Platform in the FinTech industry and crypto currencies, 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") 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. We believe that this particular opportunity is relatively untapped and intend to be a leading provider of 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.

**Results of Operations**

**Comparison of the Three Months Ended March 31, 2019 and 2018**

The following discussion analyzes our results of operations for the three months ended March 31, 2019 and 2018. The following information should be considered together with our condensed financial statements for such period and the accompanying notes thereto.

*Net Revenue*

We have not generated significant revenue since our inception. For the three months ended March 31, 2019 and 2018 we generated revenues of $19,259 and $0. In 2019, we outsourced some of our engineers to assist a technology company and were able to generate revenue to support our operations.

*Net Loss*

For the three months ended March 31, 2019 and 2018, we had a net loss of $911,854 and $1,084,867.

*Sales and Marketing*

Sales and marketing expenses for the three months ended March 31, 2019 were $30,304 as compared to $8,200 for the three months ended March 31, 2018, an increase of $22,104. The Company issued options to a marketing firm for the preparation of various presentation materials, during the three months ended March 31, 2019. The options were valued at $22,077.

*Product Development*

Product development expenses were $213,557 and $174,501 for the three months ended March 31, 2019 and 2018, an increase of $39,056. The current platform development is primarily labor intensive, which is being provided by employees as opposed to employee and consultant labor, therefore the Company has incurred more payroll tax and employee benefit expenses during the three months ended March 31, 2019.

*General and Administrative Expenses*

General and administrative expenses decreased $50,404 to $521,535 for the three months ended March 31, 2019 from $571,939 for the three months ended March 31, 2018. The decrease resulted primarily from option expenses decreases in 2019 relative to employees, which is a difference of approximately $40,500. Additionally, payroll expenses decreased in 2019, by approximately $13,000 as we reduced administrative staff in order to conserve funds.

*Interest Expense*

During the three months ended March 31, 2019, the Company incurred interest expense of $165,717 as compared to $330,227 for the three months ended March 31, 2018, a decrease of $164,510. The decrease in interest expense relates to the exchange by some investors of 10% secured convertible notes for the 4.0% secured convertible notes in 2018, which is now reducing interest expense in 2019.

**Liquidity and Capital Resources**

As of May 15, 2019, we had cash on hand of approximately $10,000.

Net cash used in operating activities increased $30,210 to $481,999 for the three months ended March 31, 2019 as compared to $451,789 for the three months ended March 31, 2018. The increase resulted primarily from increases in prepaid expenses and deposits.

Net cash provided by financing activities increased to $539,000 for the three months ended March 31, 2019 from $448,065 for the three months ended March 31, 2018, an increase of $90,935. Cash provided by financing activities during the three months ended March 31, 2019, consisted of convertible notes payable to provide capital to continue operations.

Subsequent to March 31, 2019, we have generated approximately $8,000 of revenue by outsourcing portions of our development team for small development projects.

As we have not realized significant revenues since our inception, we have financed our operations through 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. The issuance of convertible debt may also result in dilution to existing stockholders. 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. The launch of the Platform is expected in the third quarter of 2019, however, we do not project that significant revenue will be developed until later in 2019. 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 the Platform is fully developed and successfully 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.

Based upon the current cash position and the Company's planned expense run rate, management believes the Company will not be able to finance its operations beyond May 2019.

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 March 31, 2019, we do not have any off-balance sheet arrangements.

**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 in the Company's Form 10-K for the year ended December 31, 2018. 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.

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).

All issuances of stock options or other equity instruments to non-employees as consideration for goods or services received by the Company are accounted for based on the fair value of the equity instruments issued. Non-employee equity based payments that do not vest immediately upon grant are recorded as an expense over the vesting period.

Revenue Recognition

In accordance with Securities and Exchange Commission ("SEC") Staff Accounting Bulletin No. 104, Revenue Recognition (Codified in FASB ASC 606), we will recognize revenue when (i) persuasive evidence of a customer or distributor arrangement exists or acceptance occurs, (ii) a retailer, distributor or wholesaler receives the goods, (iii) the price is fixed or determinable, and (iv) collectability of the sales revenues is reasonably assured. Subject to these criteria, we have generally recognized revenue from our prior Oink product at the time of the sale of the associated goods.

**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 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.**

Not applicable.

## ITEM 4. CONTROLS AND PROCEDURES.

As of March 31, 2019, we carried out the evaluation of the effectiveness of our disclosure controls and procedures required by Rule 13a-15(e) under the Exchange Act under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of March 31, 2019, our disclosure controls and procedures were effective to ensure that information we are required to disclose in reports that we file or submit under the Exchange Act is: (i) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and (ii) accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

There has been no change in our internal control over financial reporting that occurred during our fiscal quarter ended March 31, 2019 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

# PART II - OTHER INFORMATION

## ITEM 1. LEGAL PROCEEDINGS.

There have been no material developments since the disclosure provided in the Company's Form 10-K for the year ended December 31, 2018.

## ITEM 1A. RISK FACTORS.

Not required.

## ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

During the three months ended March 31, 2019, the Company issued $900,000 aggregate principal amount of its New Secured Notes to certain accredited investors. The aggregate consideration consisted of $550,000 cash and the exchange of $350,000 outstanding principal amount of 10% Secured Convertible Notes.

The foregoing issuances were conducted as private placements, which were exempt from registration pursuant to Section 4(a)(2) of the Securities Act.

See Note 8 to the financial statements contained herein for a description of the terms of the New Secured Notes.

## ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None.

## ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

## ITEM 5. OTHER INFORMATION.

None.

**ITEM 6. EXHIBITS**

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|---|---|
| 31.1 | Certification of Chief Executive Officer pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 31.2 | Certification of Chief Financial Officer pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 32.1 | Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 32.2 | Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 101.INS | XBRL Instance Document |
| 101.SCH | XBRL Taxonomy Extension Schema Document |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase Document |
| 101.DEF | XBRL Taxonomy Extension Definition Linkbase Document |
| 101.LAB | XBRL Taxonomy Extension Label Linkbase Document |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase Document |

## SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**REGO PAYMENT ARCHITECTURES, INC.**

By: /s/ Scott McPherson

Scott McPherson
Chief Financial Officer
(Duly Authorized Officer and
Principal Financial Officer)

Date: May 15, 2019