

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 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: 333-209325



BRAIN SCIENTIFIC INC.
(Name of Registrant in Its Charter)

Nevada

State or Other Jurisdiction of
Incorporation or Organization

81-0876714

(I.R.S. Employer
Identification No.)

125 Wilbur Place, Suite 170
Bohemia, NY 11716

(Address of principal executive offices)

(917) 388-1578

(Registrant's Telephone Number, Including Area Code)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
N/A	N/A	N/A

Indicate by check 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 (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit). Yes No

Indicate by check mark whether 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: 19,798,963 shares of Common Stock, \$0.001 par value, at May 20, 2021.

BRAIN SCIENTIFIC INC.

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

**Brain Scientific Inc. and Subsidiaries
CONDENSED CONSOLIDATED BALANCE SHEETS**

	March 31, 2021	December 31, 2020
	(Unaudited)	
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash	\$ 95,184	\$ 272,856
Accounts receivable	-	1,460
Inventory	1,814	1,461
Prepaid expenses and other current assets	39,736	93,807
Prepaid expenses and other current assets - related party	700	700
Operating lease right-of-use asset	60,087	69,632
TOTAL CURRENT ASSETS	197,521	439,916
Property and equipment, net	126	302
TOTAL ASSETS	\$ 197,647	\$ 440,218
<u>LIABILITIES AND STOCKHOLDERS' DEFICIT</u>		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 1,029,287	\$ 994,908
Accounts payable and accrued expenses - related party	81,600	6,600
Notes payable	146,438	72,466
Convertible notes payable, net	1,898,810	1,192,804
Derivative liabilities	4,430,413	2,562,942
Finance lease - short term	4,595	4,595
Loans payable	6,667	6,667
Loans payable - related party	322,984	322,991
Operating lease liability, current portion	43,420	41,793
TOTAL CURRENT LIABILITIES:	7,964,214	5,205,766
Operating lease liability, net of current portion	19,838	31,276
TOTAL LIABILITIES	7,984,052	5,237,042
Commitments and contingencies	-	-
STOCKHOLDERS' DEFICIT		
Preferred stock, \$0.001 par value; 10,000,000 shares authorized, 0 shares issued and outstanding as of March 31, 2021 and December 31, 2020, respectively	-	-
Common stock, \$0.001 par value; 200,000,000 shares authorized, 19,706,086 and 19,628,258 shares issued and outstanding as of March 31, 2021 and December 31, 2020, respectively	19,706	19,628
Additional paid in capital	3,352,538	3,144,490
Accumulated deficit	(11,154,691)	(7,956,862)
Accumulated other comprehensive loss	(3,958)	(4,080)
TOTAL STOCKHOLDERS' DEFICIT	(7,786,405)	(4,796,824)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	\$ 197,647	\$ 440,218

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

COMPREHENSIVE LOSS
(Unaudited)

	Three Months Ended March 31,	
	2021	2020
REVENUE	\$ 117,229	\$ 133,845
COST OF GOODS SOLD	90,946	104,982
GROSS PROFIT	26,283	28,863
SELLING, GENERAL AND ADMINISTRATIVE		
Research and development	100,844	96,390
Professional fees	132,292	123,608
Sales and marketing	77,254	40,584
Occupancy	4,649	11,638
General and administrative	511,653	208,635
TOTAL SELLING, GENERAL AND ADMINISTRATIVE	826,692	480,855
LOSS FROM OPERATIONS	(800,409)	(451,992)
OTHER INCOME (EXPENSE):		
Interest expense	(393,848)	(453,616)
Other income	-	1,290
Loss on debt extinguishment	(91,735)	-
Change in fair value of derivative liabilities	(1,911,129)	(47,219)
Foreign currency transaction loss	(86)	(123)
TOTAL OTHER INCOME (EXPENSE)	(2,396,798)	(499,668)
LOSS BEFORE INCOME TAXES	(3,197,207)	(951,660)
PROVISION FOR INCOME TAXES	(622)	-
NET LOSS	(3,197,829)	(951,660)
OTHER COMPREHENSIVE INCOME (LOSS)		
Foreign currency translation adjustment	122	(1,053)
TOTAL COMPREHENSIVE LOSS	\$ (3,197,707)	\$ (952,713)
NET LOSS PER COMMON SHARE		
Basic and diluted	\$ (0.16)	\$ (0.05)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING		
Basic and diluted	19,661,229	19,380,460

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

Brain Scientific Inc. and Subsidiaries
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total
	Shares	Amount				
Balance at December 31, 2020	19,628,258	\$ 19,628	\$ 3,144,490	\$ (7,956,862)	\$ (4,080)	\$ (4,796,824)
Stock-based compensation	-	-	89,130	-	-	89,130
Conversion of convertible promissory note	27,828	28	43,968	-	-	43,996
Common stock issued in debt extinguishment	50,000	50	74,950	-	-	75,000
Foreign currency translation adjustment	-	-	-	-	122	122
Net loss	-	-	-	(3,197,829)	-	(3,197,829)
Balances at March 31, 2021	19,706,086	\$ 19,706	\$ 3,352,538	\$ (11,154,691)	\$ (3,958)	\$ (7,786,405)
	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Other Comprehensive Income (Loss)	Total
	Shares	Amount				
Balance at December 31, 2019	19,380,460	\$ 19,381	\$ 2,756,798	\$ (3,672,077)	\$ 366	\$ (895,532)
Fair value of stock options vested	-	-	5,914	-	-	5,914
Issuance of common stock for services	3,334	3	9,999	-	-	10,002
Foreign currency translation adjustment	-	-	-	-	(1,053)	(1,053)
Net loss	-	-	-	(951,660)	-	(951,660)

Balances at March 31, 2020

<u>19,383,794</u>	<u>\$ 19,384</u>	<u>\$ 2,772,711</u>	<u>\$ (4,623,737)</u>	<u>\$ (687)</u>	<u>\$ (1,832,329)</u>
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The accompanying notes are an integral part of these consolidated financial statements.

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Brain Scientific Inc. and Subsidiaries
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Three Months Ended	
	March 31,	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (3,197,829)	\$ (951,660)
Change in net loss to net cash used in operating activities:		
Depreciation and amortization expense	176	341
Amortization of debt discount and non-cash interest expense	362,710	431,874
Change in fair value of derivative liabilities	1,911,129	47,219
Loss on debt extinguishment	91,735	-
Fair value of stock options vested	-	5,914
Stock-based compensation	89,130	10,002
Changes in operating assets and liabilities:		
Accounts receivable	1,460	(1,151)
Inventory	(353)	(371)
Prepaid expenses and other current assets	54,071	11,308
Accounts payable and accrued expenses	35,250	196,513
Accounts payable - related party	75,000	(526)
Other liabilities	-	(1,782)
Operating lease liabilities, net	(266)	-
NET CASH USED IN OPERATING ACTIVITIES	(577,787)	(252,319)
CASH FLOWS FROM INVESTING ACTIVITIES:		
NET CASH USED IN INVESTING ACTIVITIES	-	-
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from convertible notes payable	500,000	-
Proceeds from note payable	-	20,000
Repayment of convertible notes payable	(100,000)	-
NET CASH PROVIDED BY FINANCING ACTIVITIES	400,000	20,000
Effect of exchange rate changes on cash	115	(1,170)
NET CHANGE IN CASH	(177,672)	(233,489)
CASH AT BEGINNING OF THE PERIOD	272,856	261,436
CASH AT END OF THE PERIOD	\$ 95,184	\$ 27,947
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest	\$ 2,250	\$ -
Cash paid for taxes	\$ -	\$ -
Supplemental Disclosure of Non-Cash Investing and Financing Activities		
Debt discount and derivative liability associated with convertible notes payable	\$ -	\$ 176,274

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

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BRAIN SCIENTIFIC INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2021
(unaudited)

NOTE 1 – ORGANIZATION AND NATURE OF OPERATIONS

Brain Scientific Inc. (the "Company"), was incorporated under the laws of the state of Nevada on November 18, 2013 under the name All Soft Gels Inc. The Company on September 21, 2018 acquired MemoryMD, Inc. ("MemoryMD"), a privately held Delaware corporation formed in February 2015. Upon completion of the acquisition, MemoryMD is treated as the surviving entity and accounting acquirer although the Company was the legal acquirer. Accordingly, the Company's historical financial statements are those of MemoryMD, the surviving entity and accounting acquirer. MemoryMD is a cloud computing, data analytics and medical device technology company in the

NeuroTech and brain monitoring industries seeking to commercialize its EEG devices and caps. The Company is headquartered in New York.

Reverse Merger and Corporate Restructure

On September 21, 2018, the Company entered into a merger agreement (the “Merger Agreement”) with MemoryMD and AFGG Acquisition Corp. to acquire MemoryMD (the “Acquisition”). The transactions contemplated by the Merger Agreement were consummated on September 21, 2018 and, pursuant to the terms of the Merger Agreement, all outstanding shares of MemoryMD were exchanged for shares of the Company’s common stock. Accordingly, the Company acquired 100% of MemoryMD in exchange for the issuance of shares of the Company’s common stock and MemoryMD became the Company’s wholly owned subsidiary. The Company issued an additional 4,083,252 shares of its common stock upon the automatic conversion at the closing of an aggregate of \$1,507,000 principal amount plus accrued interest of outstanding convertible promissory notes issued by MemoryMD, and it further issued an additional 1,604,378 shares of its common stock upon the automatic conversion immediately subsequent to the closing of an aggregate of \$640,000 principal amount plus accrued interest of outstanding convertible promissory notes issued by MemoryMD. Furthermore, as of the closing, Mr. Amer Samad, the sole director and executive officer until the consummation of the Acquisition, committed to tender for cancellation 6,495,000 shares of the Company’s common stock as part of the conditions to closing, of which 6,375,000 have been cancelled at December 31, 2018 and 120,000 are expected to be cancelled as soon as practicable. Total shares issued as a result of the Acquisition was 13,421,752.

The Acquisition has been accounted for as a reverse recapitalization of Brain Scientific by MemoryMD, but in substance as a capital transaction, rather than a business combination since Brain Scientific had nominal or no operations and assets prior to and as of the closing of the Acquisition. The transaction is deemed a reverse recapitalization and the accounting is similar to that resulting from a reverse acquisition, except that no goodwill or other intangible assets should be recorded. For accounting purposes, MemoryMD is treated as the surviving entity and accounting acquirer although Brain Scientific was the legal acquirer. Accordingly, the Company’s historical financial statements are those of MemoryMD.

All references to common stock, share and per share amounts have been retroactively restated to reflect the reverse recapitalization as if the transaction had taken place as of the beginning of the earliest period presented.

Assignment and Assumption Agreement

As of immediately prior to the closing of the Acquisition, the Company entered into an Assignment and Assumption Agreement with Chromium 24 LLC, pursuant to which Chromium 24 LLC assumed all of the Company’s remaining assets and liabilities through the closing of the Acquisition. Accordingly, as of the closing of the Acquisition, Brain Scientific had no assets or liabilities other than the shares of MemoryMD acquired in the Acquisition.

Name Change and Increase in Authorized Shares

On September 18, 2018, the Company filed an amendment to its certificate of incorporation with the Nevada Secretary of State to change its name to Brain Scientific Inc. On September 18, 2018, FINRA approved of the name change as well as a ticker symbol change, which was effective as of September 19, 2018. In addition, the Company increased its authorized shares of common stock from 50,000,000 to 200,000,000 and created and authorized 10,000,000 shares of undesignated preferred stock.

Unaudited Interim Financial Information

The Company has prepared the accompanying condensed consolidated financial statements pursuant to the rules and regulations of the Securities and Exchange Commission (the “SEC”) for interim financial reporting. These consolidated financial statements are unaudited and, in the Company’s opinion, include all adjustments, consisting of normal recurring adjustments and accruals necessary for a fair presentation of its balance sheets, operating results, and cash flows for the periods presented. Operating results for the periods presented are not necessarily indicative of the results that may be expected for 2021. Certain information and footnote disclosures normally included in consolidated financial statements prepared in accordance with accounting principles generally accepted in the United States (“GAAP”) have been omitted in accordance with the rules and regulations of the SEC. These consolidated financial statements should be read in conjunction with the audited financial statements and accompanying notes.

BRAIN SCIENTIFIC INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2021
(unaudited)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with GAAP.

Principles of Consolidation

The Company evaluates the need to consolidate affiliates based on standards set forth in ASC 810 Consolidation (“ASC 810”).

The consolidated financial statements include the accounts of the Company and its subsidiaries, MemoryMD and MemoryMD - Russia. The operations of the newly formed 100% wholly owned subsidiary, MemoryMD – Russia, are included beginning April 1, 2019. All significant consolidated transactions and balances have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates include the useful life of property and equipment and assumptions used in the valuation of options and warrants.

The Effects of COVID-19

The World Health Organization (WHO) declared the coronavirus outbreak a pandemic on January 30, 2020. Since the outbreak in China in December 2019, COVID-19 has expanded its impact to Europe, where all of our operations reside, as well as our employees, suppliers and customers. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings and shelter-in-place orders and the ultimate impact of governmental initiatives. However, the financial impact and duration cannot be reasonably estimated at this time.

Cash and Cash Equivalents

The Company considers all highly liquid temporary cash investments with an original maturity of three months or less to be cash equivalents. At March 31, 2021 and December 31, 2020, the Company had no cash equivalents.

The Company's cash is held with financial institutions, and the account balances may, at times, exceed the Federal Deposit Insurance Corporation (FDIC) insurance limit. Accounts are insured by the FDIC up to \$250,000 per financial institution. The Company has not experienced any losses in such accounts with these financial institutions. As of March 31, 2021, and December 31, 2020, the Company had \$0 and \$22,856, respectively, in excess over the FDIC insurance limit.

BRAIN SCIENTIFIC INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2021
(unaudited)

Inventory

Inventory consists of finished goods that are valued at lower of cost or market using the weighted average method. As of March 31, 2021, and December 31, 2020, the Company had inventory totaling \$1,814 and \$1,461, respectively.

Property, Equipment and Depreciation

Property and equipment are recorded at cost, less depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Expenditures for repair and maintenance are charged to operations as incurred. Property and equipment consisted of computer equipment, with an estimated useful life of three years. Depreciation expense was \$176 and \$341 for the three months ended March 31, 2021 and 2020, respectively.

Convertible Notes Payable

The Company has issued convertible notes, which contain variable conversion features, whereby the outstanding principal and accrued interest automatically convert into common shares at a fixed price which may be at a discount to the common stock at the time of conversion. For certain notes, the conversion features are contingent upon future events, whereby, the holder agreed not to convert until the contingent future event has occurred.

Derivative Instruments

The Company evaluates its convertible notes and warrants to determine if those contracts or embedded components of those contracts qualify as derivatives to be separately accounted for in accordance with ASC 815. The result of this accounting treatment is that the fair value of the embedded derivative is recorded as a liability and marked-to-market each balance sheet date. In the event that the fair value is recorded as a liability, the change in fair value is recorded in the statements of operations as other income or expense. Upon conversion or exercise of a derivative instrument, the instrument is marked to fair value at the conversion date and then that fair value is reclassified to equity.

The Company utilizes the Monte Carlo Method that values the liability of the debt conversion feature, derivative financial instruments and derivative warrants in cases where there may be multiple embedded features or the features of the bifurcated derivatives may be so complex that a Black-Scholes valuation does not consider all of the terms of the instrument. Therefore, the fair value may not be appropriately captured by simple models. The Monte Carlo technique applied generates many possible (but random) price paths for the underlying (or underlyings) via simulation, and then calculates the associated payment value of the derivative features. The price of the underlying common stock is modeled such that it follows a geometric Brownian motion with constant drift, and constant volatility. The stock price is determined by a random sampling from a normal distribution. Since the underlying random process is the same, for enough price paths, the value of derivative is derived from path dependent scenarios and outcomes.

From time to time, certain of the Company's embedded conversion features on debt and outstanding warrants have been treated as derivative liabilities for accounting purposes under ASC 815 due to insufficient authorized shares to fully settle conversion features of the instruments if exercised. In this case, the Company utilized the latest inception date sequencing method to reclassify outstanding instruments as derivative instruments. These contracts were recognized at fair value with changes in fair value recognized in earnings until such time as the conditions giving rise to such derivative liability classification were settled.

Leases

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842), which requires lessees to recognize most leases on their balance sheets as a right-of-use asset with a corresponding lease liability. Lessor accounting under the standard is substantially unchanged. Additional qualitative and quantitative disclosures are also required. The Company adopted the standard effective January 1, 2019 using the cumulative-effect adjustment transition method, which applies the provisions of the standard at the effective date without adjusting the comparative periods presented. The Company adopted the following practical expedients and elected the following accounting policies related to this standard update:

- Short-term lease accounting policy election allowing lessees to not recognize right-of-use assets and liabilities for leases with a term of 12 months or less.
- The option to not separate lease and non-lease components for certain equipment lease asset categories such as freight car, vehicles and work equipment.

BRAIN SCIENTIFIC INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2021
(unaudited)

Revenue Recognition

On January 1, 2018, the Company adopted ASC Topic 606 Revenue from Contracts with Customers. This guidance requires an entity to recognize revenue by applying the following steps: (1) identify the contract with a customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to each performance obligation in the contract; and (5) recognize revenue when each performance obligation is satisfied. Once the steps are met, revenue is recognized, generally upon receiving a letter of acceptance from the customer. There has been no material effect on the Company's financial statements as a result of adopting Topic 606.

The Company recognizes revenue from the sale of NeuroCaps, as well as revenue from the sale of goods purchased through manufacturers of medical devices. Primarily all revenue for the three months ended March 31, 2021 is from the sale of medical devices in Russia purchased from Neurotech, a related party.

Research and Development Costs

The Company expenses all research and development costs as they are incurred. Research and development includes expenditures in connection with in-house research and development salaries and staff costs, application and filing for regulatory approval of proposed products, regulatory and scientific consulting fees, as well as contract research, data collection, and monitoring, related to the research and development of the cloud infrastructure, data imaging, and proprietary products and technology. Research and development costs recognized in the statement of operations for the three months ended March 31, 2021 and 2020 were \$100,844 and \$96,390, respectively.

Sales and Marketing

Advertising and marketing costs are expensed as incurred. Advertising and marketing costs recognized in the statement of operations for the three months ended March 31, 2021 and 2020 were \$77,254 and \$40,584, respectively.

Stock-based Compensation

The Company measures and recognizes compensation expense for all stock-based payments at fair value over the requisite service period. The Company uses the Black-Scholes option pricing model to determine the weighted average fair value of options and warrants. Equity-based compensation expense is recorded in administrative expenses based on the classification of the employee or vendor. The determination of fair value of stock-based payment awards on the date of grant using an option-pricing model is affected by our stock price as well as by assumptions regarding a number of subjective variables. These variables include, but are not limited to, the expected stock price volatility over the term of the awards, and actual and projected employee stock option exercise behaviors.

Basic and Diluted Net Loss Per Common Share

Basic net loss per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the period. Diluted net loss per common share is computed by dividing the net loss by the weighted average number of common shares outstanding for the period and, if dilutive, potential common shares outstanding during the period. Potentially dilutive securities consist of the incremental common shares issuable upon exercise of common stock equivalents such as stock options, warrants and convertible debt instruments. Potentially dilutive securities are excluded from the computation if their effect is anti-dilutive. As a result, the basic and diluted per share amounts for all periods presented are identical. As of March 31, 2021, 7,268,245 anti-dilutive securities were excluded from the computation.

Fair Value of Financial Instruments

The Company's financial instruments are measured and recorded at fair value based on inputs and assumptions that market participants would use in pricing an asset or a liability. Fair value is defined as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining fair value, management considers the principal or most advantageous market in which the Company would transact, and also considers assumptions that market participants would use when pricing the asset or liability, such as inherent risk, transfer restrictions, and risk of non-performance.

BRAIN SCIENTIFIC INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2021
(unaudited)

Fair value is determined for assets and liabilities using a three-tiered value hierarchy into which these assets and liabilities are grouped based upon significant inputs as follows:

- Level 1 - Quoted prices in active markets for identical assets or liabilities.
- Level 2 - Observable inputs, other than Level 1 prices, such as quoted prices in active markets for similar assets and liabilities, quoted prices for identical or similar assets and liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data.
- Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs. When a determination is made to classify a financial instrument within Level 3, the determination is based upon the lack of significance of the observable parameters to the overall fair value measurement. However, the fair value determination for Level 3 financial instruments may consider some observable market inputs.

The lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy. The carrying values of cash, prepaid expenses and other current assets, convertible notes, accounts payable, loans payable and due to others approximate fair value due to the short-term nature of these items.

The Company did not have any other Level 1 or Level 2 assets or liabilities as of March 31, 2021 and the Company did not have any other Level 1 or Level 2 assets or liabilities as of December 31, 2020.

Fair Value of Financial Assets and Liabilities Measured on a Recurring Basis

Financial liabilities measured at fair value on a recurring basis are summarized below and disclosed on the consolidated balance sheet as of March 31, 2021.

Liabilities	Amounts at Fair Value	Level 1	Level 2	Level 3
Derivative liability – conversion feature	\$ 972,859	\$ -	\$ -	\$ 972,859
Derivative liability – warrants	3,457,554	-	-	3,457,554
Total	\$ 4,430,413	\$ -	\$ -	\$ 4,430,413

Income Taxes

The Company accounts for income taxes using the asset-and-liability method in accordance with ASC Topic 740, "Income Taxes". Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on the deferred tax assets and liabilities of a change in tax rate is recognized in the period

that includes the enactment date. A valuation allowance is recorded if it is more-likely-than-not that some portion or all of the deferred tax assets will not be realized in future periods.

The Company follows the guidance in ASC Topic 740-10 in assessing uncertain tax positions. The standard applies to all tax positions and clarifies the recognition of tax benefits in the financial statements by providing for a two-step approach of recognition and measurement. The first step involves assessing whether the tax position is more-likely-than-not to be sustained upon examination based upon its technical merits. The second step involves measurement of the amount to be recognized. Tax positions that meet the more-likely-than-not threshold are measured at the largest amount of tax benefit that is greater than 50% likely of being realized upon ultimate finalization with the taxing authority. The Company recognizes the impact of an uncertain income tax position in the financial statements if it believes that the position is more likely than not to be sustained by the relevant taxing authority. The Company will recognize interest and penalties related to tax positions in income tax expense. As of March 31, 2021, and December 31, 2020, the Company had no unrecognized uncertain income tax positions.

On December 22, 2017, the passage of legislation commonly referred to as the Tax Cuts and Jobs Act (“TCJA”) was enacted and significantly revised the U.S. income tax law. The TCJA includes changes, which reduce the corporate income tax rate from 34% to 21% for years beginning after December 31, 2017. On December 22, 2017, Staff Accounting Bulletin No. 118 (“SAB 118”) was issued and allows a company to recognize provisional amounts when it does not have the necessary information available, prepared or analyzed, including computations, in reasonable detail to complete its accounting for the change in tax law. SAB 118 provides for a measurement of up to one year from the date of enactment.

Recently Issued Accounting Pronouncements

From time to time, new accounting pronouncements are issued by the Financial Accounting Standard Board (“FASB”) or other standard setting bodies that the Company adopts as of the specified effective date. Unless otherwise discussed, the Company does not believe that the impact of recently issued standards that are not yet effective will have a material impact on the Company’s financial position or results of operations upon adoption.

BRAIN SCIENTIFIC INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2021
(unaudited)

NOTE 3 – GOING CONCERN

The accompanying financial statements have been prepared in conformity with U.S. GAAP, which contemplate continuation of the Company as a going concern for a period of one year from the issuance of these financial statements. For the three months ended March 31, 2021, the Company had \$117,229 in revenues, a net loss of \$3,197,829 and had net cash used in operations of \$577,787. Additionally, as of March 31, 2021, the Company had working capital deficit, stockholders’ deficit and accumulated deficit of \$7,766,693, \$7,786,405 and \$11,154,691, respectively. It is management’s opinion that these conditions raise substantial doubt about the Company’s ability to continue as a going concern for a period of twelve months from the date of the issuance of these financial statements.

The financial statements do not include any adjustments to reflect the possible future effect on the recoverability and classification of assets or the amounts and classifications of liabilities that may result from the outcome of this uncertainty.

Successful completion of the Company’s development program and, ultimately, the attainment of profitable operations are dependent upon future events, including obtaining adequate financing to fulfill its development activities, acceptance of the Company’s patent applications and ultimately achieving a level of sales adequate to support the Company’s cost structure. However, there can be no assurances that the Company will be able to secure additional equity investments or achieve an adequate sales level.

NOTE 4 – CONVERTIBLE NOTES PAYABLE

In January 2019, the Company commenced an offering of up to \$500,000 pursuant to which the Company will issue convertible notes to investors. On January 18, 2019, February 5, 2019 and July 23, 2019, the Company issued three such convertible notes payable to three investors for \$100,000, \$130,000 and \$150,000, respectively. The notes bear interest at a fixed rate of 10% per annum, computed based on a 360-day year and mature on the earlier of one year from the date of issuance or the consummation of an equity or equity-linked round of financing of the Company in excess of \$1,000,000 (“Qualified Financing”) or other event pursuant to which conversion shares are to be issued pursuant to the terms of the note. On February 24, 2021, the \$100,000, \$130,000, and \$150,000 loans were extended to January 18, 2022, February 5, 2022 and February 21, 2022, respectively.

The notes are convertible into common stock of the Company following events on the following terms: with no action on the part of the note holder upon the consummation of a Qualified Financing, the debt will be converted to new round stock based on the product of the outstanding principal and accrued interest multiplied by 1.35, then divided by the accrual per share price of the new round common stock. If a change of control occurs or if the Company completes a firmly underwritten public offering of its common stock prior to the Qualified Financing the notes would, at the election of the holders of a majority of the outstanding principal of the notes, be either payable on demand as of the closing of such change of control or Initial Public Offering (“IPO”) or convertible into shares of common stock immediately prior to such change of control transaction or IPO transaction at a price per share equal to the lesser of the per share value of the common stock as determined by the Company’s Board of Directors or the per share consideration to be received by the holders of the common stock in such change of control or IPO transaction. Based on the terms of the conversion, the holders may receive a discount, and the notes are considered to have a contingent beneficial conversion feature. If conversion of the debt occurs, the Company will recognize an expense related to the intrinsic value. The Company recorded \$75,533 of accrued interest and has a total outstanding principal balance of \$380,000 as of March 31, 2021.

In the event that the Company consummates a financing prior to the maturity date, other than a Qualified Financing, and the economic terms thereof are more favorable to the investors in such financing than the terms of the note, the note shall automatically be amended to reflect such more favorable economic terms.

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December 31, 2019 Securities Purchase Agreement

On December 31, 2019, the Company entered into a Securities Purchase Agreement and issued and sold to a third party investor a Convertible Note in the original principal

amount of \$275,000 (the “Note”), and a warrant to purchase 100,000 shares of the Company’s common stock (the “Warrant”). The aggregate purchase price received by the Company was \$250,000 after an original issue discount of \$25,000. A one-time interest charge of 8% was applied on December 31, 2019 and will be payable, along with the Principal, on July 31, 2020, as may be extended at the option of the Investor.

On August 5, 2020, the Company entered into an Allonge to the Convertible Note, dated as of August 8, 2020, which amended the Note. The allonge amended the Note by, among other things, extending the maturity date of the loan until October 31, 2020. As consideration for the allonge, the original principal amount was increased by ten percent, and the Company agreed to issue 50,000 shares of its common stock to the investor that were valued at fair market value of \$75,000. The Company evaluated the allonge for debt modification in accordance with ASC 470-50 and concluded that the debt qualified for debt extinguishment as the 10% cash flow test was met. As a result, the \$297,000 of principal and accrued interest was written off, new debt was recorded at fair value as of August 5, 2020 in the amount of \$324,500 and the Company recorded a net loss on extinguishment of debt in the amount of \$176,467.

On October 29, 2020, the Company entered into a second Allonge to the Convertible Note which amended the Note. The allonge amended the Note by, among other things, extending the maturity date of the loan until January 31, 2021. As consideration for the allonge, the original principal amount was increased by ten percent, and the Company agreed to issue 50,000 shares of its common stock to the investor that were valued at fair market value of \$75,000. The Company evaluated the allonge for debt modification in accordance with ASC 470-50 and concluded that the debt qualified for debt extinguishment as the 10% cash flow test was met. As a result, the \$324,500 of principal and accrued interest was written off, new debt was recorded at fair value as of October 29, 2020 in the amount of \$359,370 and the Company recorded a net loss on extinguishment of debt in the amount of \$115,524.

On December 28, 2020, the Company issued a non-convertible promissory note with interest terms that were more favorable than the terms of the Convertible Note. As a result of that issuance, certain abovementioned terms of the Convertible Note were triggered which reset the interest rate of the Convertible Note to 12%. The effect of the interest rate reset resulted in increases of \$2,310 to the balance of the Convertible Note, \$11,000 of accrued interest, \$11,000 of interest expense and \$2,310 of loss on extinguishment of debt. For the year ended December 31, 2020, the Company recorded a net loss on extinguishment of debt in the amount of \$294,301. The Company has a total outstanding principal balance under the Note of \$339,680 and \$33,000 of accrued interest as of December 31, 2020.

On February 8, 2021, the Company entered into a third Allonge to the Convertible Note which amended the Note. The allonge amended the Note by, among other things, extending the maturity date of the loan until May 1, 2021. As consideration for the allonge, the original principal amount was increased by ten percent, and the Company agreed to issue 50,000 shares of its common stock to the investor that were valued at fair market value of \$75,000. The Company evaluated the allonge for debt modification in accordance with ASC 470-50 and concluded that the debt qualified for debt extinguishment as the 10% cash flow test was met. As a result, the \$372,680 of principal and accrued interest was written off, new debt was recorded at fair value as of February 8, 2021 in the amount of \$409,948 and the Company recorded a net loss on extinguishment of debt in the amount of \$165,442.

The Company recorded a total debt discount of \$332,042 related to the above convertible notes. Amortization of the debt discount is recorded as interest expense of the full discount of \$332,042 was amortized through the original maturity date of July 31, 2020.

The unpaid outstanding principal amount and accrued and unpaid interest under the Note shall be convertible into shares of the Company’s common stock at any time at the option of the investor. The conversion price shall be equal to 80% multiplied by the price per share paid by the investors in the next capital raising transaction consummated by the Company in the amount of \$1,000,000 or more (the “Qualified Financing”), subject to adjustments as provided in the Note. In the event the investor elects to convert the Note prior to a Qualified Financing, the conversion price shall be the effective exercise price per share from time to time pursuant to the Warrant. At any time prior to the maturity date of the Note, upon 10 business days’ notice to the investor, the Company shall have the right to pre-pay the entire remaining principal amount of the Note subject to the pre-payment terms contained in the Note. The note is valued at face value and not considered a derivative since the Qualified Financing is at the control of the Company.

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The Note contains a price-based anti-dilution provision, pursuant to which the conversion price of the Note shall be reduced upon the occurrence of certain dilutive issuances of Company securities as set forth in the Note. The conversion of the Note is also subject to a beneficial ownership limitation of 4.99% of the number of shares of common stock outstanding immediately after giving effect to such conversion. In the event the Company, prior to the maturity date of the Note, issues any Security (as defined in the Note) with any term more favorable to the holder of such Security or with a term in favor of the holder of such Security that was not similarly provided to the Investor, then at the Investor’s option such term shall become a part of the Note. The Company also agreed to provide piggy-back registration rights to the investor pursuant to which the Company shall include all shares issuable upon conversion of the Note on the next registration statement the Company files with the Securities and Exchange Commission.

The Note contains events of default which, among other things, entitle the Investor to accelerate the due date of the unpaid principal amount of, and all accrued and unpaid interest on, the Note. Upon the occurrence of any event of default, the outstanding balance shall immediately and automatically increase to 130% of the outstanding balance immediately prior to the event of default, and the conversion price of the Note shall be redefined to equal 65% of the lowest trade accruing during the 10 consecutive Trading Days (as defined in the Note) immediately preceding the applicable Conversion Date (as defined in the Note). Nickolay Kukekov, a director of the Company, and a third party, each has personally guaranteed the repayment of the Note.

The Warrant has an exercise price of \$1.25 per share (the “Exercise Price”), subject to adjustments as provided in the Warrant, and has a term of five years. The Warrant contains a price-based anti-dilution provision, pursuant to which the exercise price of the Warrant shall be reduced upon the occurrence of certain dilutive issuances of securities as set forth in the Warrant, with a corresponding increase in the number of shares underlying the Warrant if the dilutive event occurs during the first three years of the Warrant, and a cashless exercise provision. The exercise of the Warrant is subject to a beneficial ownership limitation of 9.99% of the number of shares of common stock outstanding immediately after giving effect to such exercise. The Company calculated the Warrants at fair value of \$130,768 using the Monte Carlo model, which was recognized as a discount to the Note and is being amortized as interest expense over the remaining term of the notes. The Note is considered a derivative liability due to the variable market-based conversion price upon default. The Warrant is accounted for as a discount to the Note, and therefore fair valued and recorded as a derivative liability as well. On March 31, 2021, the Warrant derivative was valued at \$193,178. For the three months ended March 31, 2021 and 2020, the Company recorded a gain on the change in fair market value of derivative liabilities in the amount of \$84,152 and \$47,219, respectively, in relation to the Warrant derivative.

Due to the partial conversion of an outstanding convertible loan, certain anti-dilution provisions were triggered, resulting in the reset of the warrant amounts from 125,000 to 166,667, warrant exercise price from \$1.00 to \$0.75 and the conversion price was capped at \$0.75.

Convertible Grid Notes

On April 21, 2020, the Company issued a Convertible Grid Promissory Note (the “Caleca Note”) to Thomas J. Caleca (“Caleca”), an existing stockholder of the Company, pursuant to which Caleca agreed to advance to the Company the aggregate principal amount of \$125,000 (the “Caleca Aggregate Advance”). The Company also issued to Caleca a common stock purchase warrant (the “Caleca Warrant”), granting Caleca the right to purchase up to 750,000 shares of the Company’s common stock at a per share exercise price of \$0.80 (subject to adjustment as set forth in the Caleca Warrant).

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Also on April 21, 2020, the Company issued a Convertible Grid Promissory Note (the “Brown Note”, and together with the Caleca Note, the “Grid Notes”) to Andrew Brown (“Brown”, and together with Caleca, the “Grid Investors”), an existing stockholder of the Company, pursuant to which Brown agreed to advance to the Company the aggregate principal amount of \$125,000 (the “Brown Aggregate Advance”, and together with the Caleca Aggregate Advance, the “Aggregate Advance”). The Company also issued to Brown a common stock purchase warrant (the “Brown Warrant”, and together with the Caleca Warrant, the “Grid Warrants”), granting Brown the right to purchase up to 750,000 shares of the Company’s common stock at a per share exercise price of \$0.80 (subject to adjustment as set forth in the Brown Warrant). The Grid Warrants are exercisable at any time commencing on the eighteen-month anniversary of the issuance of the Grid Warrants (as may be accelerated pursuant to the terms of the Grid Warrants) and expiring on the five-year anniversary of the issuance of the Grid Warrants.

On April 22, 2020, the Grid Investors each made their first cash advance of \$25,000 pursuant to the terms of the Grid Notes, for an aggregate cash advance to the Company of \$50,000 (the “First Advance”). The Grid Investors made additional cash advances to the Company pursuant to the terms of their Grid Notes. As of December 31, 2020, a total of \$250,000 in principal was advanced to the Company. The Company recorded debt discount of \$233,893 related to the Grid Notes. Amortization of the debt discount is recorded as interest expense and a total of \$59,981 was amortized during the three months ended March 31, 2021.

The Grid Notes bear interest on the unpaid balances at a fixed simple rate of twelve percent (12%) per annum (subject to a rate increase if the Company commits an Event of Default (as defined in the Grid Notes)), computed based on a 360-day year of twelve 30-day months, commencing on the date of the respective advance and payable quarterly. The principal amount of the Aggregate Advance, or so much thereof as has been advanced to the Company by the Grid Investors from time to time pursuant to the Grid Notes, will be payable on April 21, 2021, unless sooner converted into shares of the Company’s common stock pursuant to the terms of the Grid Notes. Subsequent to the balance sheet date, the due date was extended to April 21, 2022. The Company recorded \$13,032 of accrued interest and has a total outstanding principal balance of \$250,000 as of March 31, 2021.

The unpaid outstanding principal amount and accrued and unpaid interest under the Grid Notes shall be convertible at any time prior to the maturity date of the Grid Notes at the election of the Grid Investors into such number of shares of the Company’s common stock obtained by dividing the amount so converted by \$1.00 (the “Conversion Price”). At the maturity date of the Grid Notes, all of the remaining unpaid outstanding principal amount and accrued and unpaid interest (the “Outstanding Balance”) under the Grid Notes shall automatically convert into such number of shares of the Company’s common stock obtained by dividing the Outstanding Balance by the Conversion Price. The Grid Notes may not be prepaid by the Company in whole or in part without the prior written consent of the respective Grid Investor.

The Grid Notes contain customary events of default, which, if uncured, entitle the Grid Investors to accelerate the due date of the unpaid principal amount of, and all accrued and unpaid interest on, their Grid Notes.

September 1, 2020 Securities Purchase Agreement

On September 1, 2020 (the “September 1 Issuance Date”), the Company entered into a Securities Purchase Agreement and issued and sold to an investor an 8% Convertible Redeemable Note in the original principal amount of \$157,500 (the “September 1 Note”). The net amount received by the Company for the sale of the September 1 Note was \$142,500 after an original issue discount of \$15,000 and after payment of the investor’s legal fees.

The September 1 Note bears interest commencing on the September 1 Issuance Date at a fixed rate of 8% per annum on any unpaid principal balance, and will be payable, along with the principal amount, on September 1, 2021, unless such interest is earlier converted into shares of the Company’s common stock pursuant to the conversion terms contained in the September 1 Note. The Company recorded debt discount of \$157,500 related to the September 1 Note. Amortization of the debt discount is recorded as interest expense and a total of \$47,000 was amortized during the three months ended March 31, 2021. On March 16, 2021, the Company received a Notice of Conversion from the holder of the September 1 Note, electing to convert \$20,000 of outstanding principal and \$871 of outstanding interest into 27,828 common shares at an applicable conversion price of \$0.75 per share. The Company recorded \$10,167 of accrued interest and has a total outstanding principal balance of \$137,500 as of March 31, 2021.

The unpaid outstanding principal amount and accrued and unpaid interest under the September 1 Note shall be convertible into shares of common stock at any time on or after the September 1 Issuance Date at the option of the investor. The conversion price shall be equal to 60% of the lowest closing bid price for the common stock, subject to certain exceptions and adjustments contained in the September 1 Note, for the fifteen prior trading day period. From the September 1 Issuance Date until 180 days after the September 1 Issuance Date, upon 3 days’ notice to the investor, the Company shall have the right to pre-pay the entire remaining principal amount of the September 1 Note, subject to the pre-payment terms contained in the September 1 Note.

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The conversion of the September 1 Note is subject to a beneficial ownership limitation of 4.99% (or 9.9% upon notice of the investor) of the number of shares of common stock outstanding immediately after giving effect to such conversion. The September 1 Note is further subject to a “most-favored nation” clause in the event the Company offers a more favorable conversion discount, interest rate, look back period or other more favorable term to another party for any financings while the September 1 Note is in effect, subject to certain exceptions contained in the September 1 Note.

The September 1 Note contains customary events of default which entitle the investor, among other things, to accelerate the due date of the unpaid principal amount of, and all accrued and unpaid interest on, the September 1 Note. Upon an event of default, interest shall accrue at a default interest rate of 24% per annum or, if such rate is usurious or not permitted by current law, then at the highest rate of interest permitted by law. The September 1 Note further contains monetary penalties in the event of certain events of default.

At the investor’s election, if the Company fails for any reason to deliver to the investor underlying shares upon conversion by the 3rd business day thereafter and if the investor incurs a Failure to Deliver Loss (as defined in the September 1 Note), then the Company must make the investor whole in relation to such loss.

Upon certain sale events as specified in the September 1 Note, the Company shall, upon request of the investor, redeem the September 1 Note in cash for 150% of the principal amount, plus accrued but unpaid interest through the date of redemption, or at the election of the investor, such Holder may convert the unpaid principal amount of the September 1 Note (together with the amount of accrued but unpaid interest) into shares of Company common stock immediately prior to such sale event at the conversion price

specified in the September 1 Note.

September 22, 2020 Securities Purchase Agreement

On September 22, 2020, the Company entered into a Securities Purchase Agreement (the “September Purchase Agreement”) dated as of September 22, 2020 (the “September 22 Issuance Date”) and issued and sold to an investor a Promissory Note (the “September 22 Note”) in the aggregate original principal amount of \$600,000, of which \$100,000 aggregate principal amount was borrowed as of the Issuance Date with the balance of the principal borrowed on October 19, 2020. Also pursuant to the September Purchase Agreement, in connection with the issuance of the September Note, the Company issued two common stock purchase warrants (separately, “Warrant A” and “Warrant B”, and together, the “September Warrants”) to the investor, allowing the investor to purchase an aggregate of 1,411,764 shares of the Company’s common stock, with Warrant A being a commitment fee of 705,882 shares of common stock, and Warrant B being fully earned upon issuance as an additional commitment fee of 705,882 shares of common stock, provide that Warrant B is returnable to the Company upon the repayment of the September 22 Note, as an additional incentive for the repayment of the September 22 Note.

The net amount received by the Company during the year ended December 31, 2020 was approximately \$505,000 after payment of certain fees to the investor or on behalf of the investor.

In the event the Company breaches any of the covenants set forth in Section 4 of the Purchase Agreement, and in addition to any other remedies available to the Buyer pursuant to the Purchase Agreement, it will be considered an Event of Default under the September 22 Note and the Company shall pay to the Buyer certain liquidated damages as set forth in the September 22 Note in cash or in shares of common stock at the option of the Buyer. If the Buyer elects to have the Company pay such liquidated damages in shares of common stock, such shares shall be issued at the conversion price at the time of payment.

The September 22 Note bears interest commencing on the September 22 Issuance Date at a fixed rate of 12% per annum on any unpaid principal balance, and will be payable, along with the principal amount, on September 22, 2021, unless such interest is earlier converted into shares of the common stock pursuant to the conversion terms contained in the September 22 Note.

A lump-sum interest payment for one year is due on the September 22 Issuance Date and added to the principal balance and payable on the maturity date of the September 22 Note or upon acceleration or by prepayment or otherwise, notwithstanding the number of days which the principal is outstanding. Principal payments shall be made in 6 installments each in the amount of \$100,000 commencing 180 days following the applicable Issue Date (as defined in the Note) and continuing thereafter each 30 days for 5 months. The Company recorded debt discount of \$600,000 related to the September 22 Note. Amortization of the debt discount is recorded as interest expense and a total of \$169,282 was amortized during the three months ended March 31, 2021. On March 21, 2021, the Company repaid \$100,000 of the outstanding principal. The Company has a total outstanding principal balance of \$500,000 as of March 31, 2021.

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The unpaid outstanding principal amount and accrued and unpaid interest under the September 22 Note shall be convertible into shares of common stock at any time on or after the September 22 Issuance Date at the option of the investor. The conversion price shall be equal to the lesser of (subject to equitable adjustments): (i) the lowest Market Price (as defined in the September 22 Note) during the previous five Trading Day (as defined in the September 22 Note) period ending on the latest complete Trading Day prior to the September 22 Issuance Date, and (ii) the Variable Conversion Price (as defined in the September 22 Note). The conversion price shall be adjusted downwards upon certain events as set forth in the September 22 Note.

The September 22 Note is subject to adjustment in the event of certain events, including mergers or consolidations of the Company, distributions of assets to holders of common stock, stock repurchases, and dilutive issuances (other than “Exempt Issuances” as defined in the September 22 Note).

Provided that an event of default under the September 22 Note has not occurred, the Company may prepay in whole or in part the amounts outstanding under the September 22 Note by making a payment to the investor of an amount in cash equal to the sum of: (w) the then outstanding principal amount of the September 22 Note plus (x) accrued and unpaid interest on the unpaid principal amount of the September 22 Note plus (y) default interest, if any.

The conversion of the September 22 Note and the exercise of the Warrants are subject to a beneficial ownership limitation of 4.99% of the number of shares of common stock outstanding immediately after giving effect to such conversion or exercise, as the case may be.

The September 22 Note contains customary events of default which entitle the investor, among other things, to accelerate the due date of the unpaid principal amount of, and all accrued and unpaid interest on, the September 22 Note. Upon an event of default, interest shall accrue at a default interest rate of 24% per annum or, if such rate is usurious or not permitted by current law, then at the highest rate of interest permitted by law. The September 22 Note further contains monetary penalties in the event of certain events of default or breaches.

The September 22 Note is further subject to a “most-favored nation” clause in the event the Company issues any security with any term more favorable to the holder of such security.

The September Warrants each have an exercise price of \$1.28, subject to customary adjustments, and may be exercised at any time until the three-year anniversary of the September Warrants; provided, however, in the event the Company repays the September 22 Note in its entirety on or prior to the maturity date of the September 22 Note, Warrant B shall automatically expire and may only be exercised in the event it does not so automatically expire. The September Warrants include a cashless exercise provision as set forth therein.

On December 28, 2020, the Company issued a non-convertible promissory note with a warrant exercise price that was more favorable than the terms of the September 22 Note. The amount of shares under the September Warrants was reset to 1,505,882 with an exercise price of \$1.20.

February 8, 2021 Loan

On February 8, 2021, the Company signed a loan agreement in the amount of \$500,000 (the “February 8 Loan”) pursuant to which the Company would enter into a business combination with the lender subject to the terms and conditions defined in the agreement. The loan bears interest of 10% and matures upon the earlier of 6 months or the date that the business combination becomes effective. In the case of a business combination becoming effective, the loan shall convert immediately into or be credited towards such transaction.

Derivative Accounting for the Convertible Notes Payable

The Company evaluated the terms and conditions of the Note, the Grid Notes, the September 1 Note, and the September 22 Note under the guidance of ASC 815. The conversion terms of the convertible notes are variable based on certain factors, such as the future price of the Company’s common stock. The number of shares of common stock to be issued is based on the future price of the Company’s common stock. The number of shares of common stock issuable upon conversion of the promissory note is

indeterminate. Due to the fact that the number of shares of common stock issuable could exceed the Company's authorized share limit, the equity environment is tainted, and all additional convertible debentures and warrants are included in the value of the derivative liabilities. Pursuant to ASC 815-15 Embedded Derivatives, the fair values of the variable conversion options and warrants and shares to be issued were recorded as derivative liabilities on the issuance date and revalued at each reporting period.

Certain of the Company's embedded conversion features on debt and outstanding warrants are treated as derivative liabilities for accounting purposes under ASC 815 due to insufficient authorized shares to settle these outstanding contracts, or due to other rights connected with these contracts, such as registration rights. In the case of insufficient authorized share capital available to fully settle outstanding contracts, the Company utilizes the issuance date sequencing method to reclassify outstanding contracts as derivative instruments. These instruments do not trade in an active securities market. As a result, the conversion terms of the Note, the Grid Notes, the September 1 Note, and the September 22 Note are treated as a derivative liability. (see Note 6)

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NOTE 5 – NOTES PAYABLE

October 23, 2019 Note

On October 23, 2019, an investor of the Company subscribed for a promissory note (the "October Note") and loaned to the Company \$50,000.

The October Note bears interest at a fixed rate of 14% per annum, computed based on a 360-day year of twelve 30-day months, which interest will be payable quarterly until the maturity date. The principal amount and any accrued and unpaid interest due under the October Note was originally to mature on October 21, 2020, subject to a thirty-day grace period. On November 13, 2020, the Company entered into an allonge with the investor that extended the maturity date of the note to April 21, 2021. Subsequent to the balance sheet date the note was extended until October 21, 2021. During the three month ended March 31, 2020 the Company recorded \$1,749 of interest expense and has a total outstanding principal balance of \$50,000 and accrued interest of \$3,105 as of March 31, 2021.

The October Note contains customary events of default, which, if uncured, entitle the lender to accelerate the due date of the unpaid principal amount of, and all accrued and unpaid interest on, the October Note.

February 21, 2020 Note

On February 21, 2020, a third party loaned the Company \$20,000, evidenced by a non-convertible promissory note (the "February Note"). The February Note bears interest at a fixed rate of 12% per annum, computed based on a 360-day year of twelve 30-day months, which interest will be payable quarterly until the maturity date. The principal amount and any accrued and unpaid interest due under the February Note were originally payable on July 1, 2020. On July 28, 2020 the Company entered into an allonge, effective July 1, 2020, to extend the original maturity date to February 21, 2021, which was further extended until February 21, 2022. The Company recorded \$1,793 of accrued interest and has a total outstanding principal balance of \$20,000 as of March 31, 2021.

The February Note contains customary events of default, which, if uncured, entitle the lender to accelerate the due date of the unpaid principal amount of, and all accrued and unpaid interest on, the February Note.

December 28, 2020 Note

On December 28, 2020, the Company entered into a Securities Purchase Agreement (the "December Purchase Agreement") dated as of December 28, 2020 (the "December 28 Issuance Date") and issued and sold to an investor a Promissory Note (the "December 28 Note") in the aggregate principal amount of \$300,000. Pursuant to the December Purchase Agreement, in connection with the issuance of the December 28 Note, the Company issued two common stock purchase warrants (separately, "Warrant A" and "Warrant B", and together, the "December Warrants") to the investor, allowing the investor to purchase an aggregate of 500,000 shares of the Company's common stock, with Warrant A being a commitment fee of 250,000 shares of common stock, and Warrant B being fully earned upon issuance as an additional commitment fee of 250,000 shares of common stock, provide that Warrant B is returnable to the Company upon the repayment of the December 28 Note, as an additional incentive for the repayment of the December 28 Note.

The net amount received by the Company during the year ended December 31, 2020 was approximately \$265,000 after payment of certain fees to the investor or on behalf of the investor.

The December 28 Note bears interest commencing on the December 28 Issuance Date at a fixed rate of 12% per annum on any unpaid principal balance, and will be payable, along with the principal amount, on December 28, 2021.

A lump-sum interest payment for one year is due on the December 28 Issuance Date and added to the principal balance and payable on the maturity date of the December 28 Note or upon acceleration or by prepayment or otherwise, notwithstanding the number of days which the principal is outstanding. Principal payments shall be made in 6 installments each in the amount of \$56,000 commencing 180 days following the Issue Date (as defined in the Note) and continuing thereafter each 30 days for 5 months. The Company recorded debt discount of \$300,000 related to the December 28 Note. Amortization of the debt discount is recorded as interest expense and a total of \$73,973 was amortized during the three months ended March 31, 2021. The Company has a total outstanding principal balance of \$300,000, and accrued interest of \$36,000 as of March 31, 2021.

Provided that an event of default under the December 28 Note has not occurred, the Company may prepay in whole or in part the amounts outstanding under the December 28 Note without a prepayment penalty.

The December 28 Note contains customary events of default which entitle the investor, among other things, to accelerate the due date of the unpaid principal amount of, and all accrued and unpaid interest on, the December 28 Note. Upon an event of default, interest shall accrue at a default interest rate of 24% per annum or, if such rate is usurious or not permitted by current law, then at the highest rate of interest permitted by law. The December 28 Note further contains monetary penalties in the event of certain events of default or breaches.

The December Warrants each have an exercise price of \$1.20, subject to customary adjustments, and may be exercised at any time until the three-year anniversary of the December Warrants; provided, however, in the event the Company repays the December 28 Note in its entirety on or prior to the maturity date of the December 28 Note, Warrant B shall automatically expire and may only be exercised in the event it does not so automatically expire. The December Warrants include a cashless exercise provision as set forth therein.

Derivative Accounting for the December 28, 2020 Note

The Company evaluated the terms and conditions of the December 28, 2020 Note and the accompanying December Warrants under the guidance of ASC 815. Certain of the Company's outstanding warrants are treated as derivative liabilities for accounting purposes under ASC 815 due to insufficient authorized shares to settle these outstanding contracts, or due to other rights connected with these contracts, such as registration rights. In the case of insufficient authorized share capital available to fully settle outstanding contracts, the Company utilizes the issuance date sequencing method to reclassify outstanding contracts as derivative instruments. These instruments do not trade in an active securities market. As a result, the December Warrants are treated as a derivative liability. (see Note 6)

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NOTE 6 – DERIVATIVE LIABILITIES

The Company evaluated the terms and conditions of the Notes and Convertible Notes Payable (see Notes 4 and 5) and pursuant to ASC 815-15 Embedded Derivatives, certain conversion options and outstanding warrants were recorded as derivative liabilities on the issuance date and revalued at each reporting period.

The table below provides a summary of the changes in fair value, including net transfers in and/or out of all financial liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the three months ended March 31, 2021:

	<u>Amount</u>
Balance on December 31, 2020	\$ 2,562,942
Settlement upon note conversion/repayment	(96,832)
Net extinguishment	53,174
Change in fair value of derivative liabilities	670,809
Change in fair value of warrant liabilities	1,240,320
Balance on March 31, 2021	<u>\$ 4,430,413</u>

The fair value of the derivative conversion features and warrant liabilities as of March 31, 2021 were calculated using a Monte-Carlo option model valued with the following assumptions:

	<u>March 31, 2020</u>
Dividend yield	0%
Expected volatility	68.0% - 90.2%
Risk free interest rate	0.03% - 0.60%
Contractual terms (in years)	0.06 - 4.06
Conversion/Exercise price	\$ 0.75 - \$1.20

NOTE 7 – OTHER LIABILITIES

In 2016, the Company recorded a liability in connection with the sale of two Electroencephalograms (“EEG”) machines as it provided a guarantee to the customer’s financing company (See Note 2). In June 2017, the customer defaulted on its payments and an additional \$19,107 was booked as a liability and recognized as a loss on the sale of the assets for interest and some taxes related to the transaction. As of March 31, 2021, and December 31, 2020, total liability to the financing company reflected in Other Liabilities is \$4,595 and \$4,595, respectively. The Company did not make payments in the current quarter and are in discussion as to future payments since the equipment was not returned as per the agreement.

NOTE 8 – RELATED PARTY TRANSACTIONS

During the year ended December 31, 2018, an entity controlled by Mr. Vadim Sakharov, a former director and executive officer of the Company, provided a \$50,000 non-interest-bearing, no-term loan to the Company. An additional \$5,530 of non-interest bearing no-term proceeds were loaned to the Company during the year ended December 31, 2019. As of March 31, 2021, and December 31, 2020, the balance was \$55,530 and \$55,530, respectively.

During the three months ended March 31, 2021 and 2020, the Company purchased an aggregate of \$90,935 and \$101,613, respectively, of medical devices for resale and distribution from Neurotech, a company that Mr. Sakharov, a former director and executive officer of the Company, is a shareholder and executive manager.

During the three months ended March 31, 2021 and 2020, the Company had expenses related to research and development costs of \$15,805 and \$10,200, respectively, to an entity controlled by Boris Goldstein, the Company’s Chairman of the Board.

During the three months ended March 31, 2021 and 2020, the Company had expenses related to sales and marketing costs of \$8,734 and \$11,641, respectively, to an entity controlled by Mr. Sakharov, a former director and executive officer of the Company.

During the year ended December 31, 2019, an affiliate of Boris Goldstein, the Company’s Chairman of the Board, provided an aggregate total of \$50,000, in a non-interest-bearing, no-term loan to the Company. As of March 31, 2021 and December 31, 2020, the balance was \$50,000 and \$50,000, respectively.

During the year ended December 31, 2019, an affiliate of Nikolay Kukekov, a director of the Company, provided an aggregate total of \$217,000 in non-interest-bearing, no-term loans to the Company. As of March 31, 2021 and December 31, 2020, the balance was \$217,000 and \$217,000, respectively.

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NOTE 9 – LEASES

The Company has inventoried all leases where the Company is a lessee as of the initial date of application and has examined other contracts with suppliers, vendors, customers and other outside parties to identify whether such contracts contain an embedded lease as defined under the new guidance. The Company’s lease population comprises lease for corporate office space and a warehouse that are year-to-year basis with monthly rent ranging from approximately \$150 to \$3,200 and qualify under the practical expedient of short-term leases. The Company does not have exclusive rights of control to any assets in the customer and vendor contracts reviews and does not have any financing leases as of the date of adoption of ASC 842.

Beginning January 1, 2020, the Company entered into a 12-month lease agreement ending December 31, 2020, with a third party in Russia. The Company is paying rent at a

rate of 17,900 Rubles (\$240) per month.

Additionally, the Company also rents a warehouse. Beginning December 1, 2018, the Company entered into a 6-month warehouse rental agreement for \$2,980 per month. The lease was renewed on June 1, 2019 for an additional year ending May 31, 2020, for \$3,171 per month. The Company leased the warehouse for an additional three months and left the premises in the third quarter of 2020.

Total rent expense for the three months ended March 31, 2021 and 2020 was \$4,649 and \$11,638, respectively.

The Company has one lease agreement with terms up to 2 years for the lease of office space. The assets and liabilities from operating leases are recognized at the commencement date based on the present value of remaining lease payments over the lease term using the Company's secured incremental borrowing rates or implicit rates, when readily determinable. Short-term leases, which have an initial term of 12 months or less, are not recorded on the balance sheet.

The Company's operating lease does not provide an implicit rate that can readily be determined. Therefore, we use a discount rate based on our incremental borrowing rate, which is determined using the interest rate of our debt as of July 1, 2020.

The Company's weighted-average remaining lease term relating to its operating leases is 1.42 years, with a weighted-average discount rate of 12%.

The Company incurred lease expense for its operating leases of \$11,639 and \$0 which was included in "General and administrative expenses," for the three months ended March 31, 2021 and 2020, respectively.

The Company had rental payments of \$11,905 for the three months ended March 31, 2021.

The following table presents information about the amount, timing and uncertainty of cash flows arising from the Company's operating leases as of March 31, 2021.

Maturity of Lease Liability

2021	36,429
2022	32,699
Total undiscounted operating lease payments	\$ 69,128
Less: Imputed interest	(5,870)
Total operating lease liabilities	63,258
Less: Current portion of operating lease	(43,420)
Long-term portion of operating lease	\$ 19,838

At December 31, 2020, the operating lease right of use asset was \$69,632. Supplemental balance sheet information related to the lease as of March 31, 2021 was:

Operating lease right-of-use asset	\$ 60,087
Lease liability, current portion	43,420
Lease liability, long-term	19,838
Total operating lease liability	\$ 63,258
Weighted average remaining lease term (months)	17
Weighted average discount rate	12%

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NOTE 10 – STOCKHOLDERS' DEFICIT

Preferred Stock

The Company has authorized 10,000,000 shares of undesignated preferred stock with a \$0.001 par value. As of March 31, 2021, no preferred shares have been issued and these shares are considered blank check preferred shares with no terms, limitations, or rights associated with them.

Common Stock

The Company has authorized 200,000,000 shares of common stock with a \$0.001 par value per share. The holders of common stock are entitled to one vote for each share of common stock held at the time of vote. As of March 31, 2021, the Company had 19,706,086 shares outstanding or deemed outstanding.

Shares Issued for Services

On October 15, 2020, the Company granted to a newly-hired non-executive officer of the Company 292,174 restricted shares under the Company's 2018 Equity Incentive Plan, which vest quarterly in equal amounts commencing January 15, 2021 and ending January 15, 2022. The shares were valued as of the date of the grant at a fair value of \$1.67 per share or \$487,931, which will be amortized over the vesting period. During the three months ended March 31, 2021, the Company recognized \$53,423 of stock-based compensation.

Warrants

The following table summarized the warrant activity for the three months ended March 31, 2021:

Number of	Weighted Average Exercise	Weighted Average Remaining Contractual	Aggregate Intrinsic
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Warrants	Shares	Price	Term	Value
Balance Outstanding, December 31, 2020	4,033,132	\$ 0.97	3.14	\$ 1,350,113
Granted	41,667	0.75	3.90	-
Forfeited	-	-	-	-
Exercised	-	-	-	-
Expired	-	-	-	-
Balance Outstanding, March 31, 2021	4,074,799	\$ 0.96	3.15	\$ 2,015,000
Exercisable, March 31, 2021	2,574,799	\$ 1.05	2.61	\$ 1,040,500

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Equity Incentive Plan

As of September 21, 2018, the Company's board of directors adopted, and stockholders approved the 2018 Equity Incentive Plan (the "2018 Plan"). The 2018 Plan has a 10-year term, which terminates on the day prior to the 10th anniversary of its adoption by the Board. Under the 2018 Plan, the Company may grant equity-based incentive awards, including options, restricted stock, and other stock-based awards, to any directors, employees, advisers, and consultants that provide services to the Company. The vesting period, term and exercise price will be determined at the time of the grant. An aggregate of up to 3,500,000 of the Company's common stock are reserved for issuance under the 2018 Plan. As of March 31, 2021, the Company has granted and has 1,941,779 options outstanding, as well as 333,972 shares of restricted common stock issued under the 2018 Plan.

On January 14, 2019, the Board of Directors approved the issuance of options to purchase an aggregate of 800,000 and 200,000 shares of common stock to Boris Goldstein and Vadim Sakharov (a former director and executive officer of the Company), respectively. The options have an exercise price of \$0.75 per share which will vest over a 24-month period as follows: 25% (or 200,000 and 50,000, respectively) shall vest six months after the grant date with the remaining options will vest on a monthly basis at a rate of 1/24th per month. The options will expire on January 14, 2029. The aggregate fair value of \$17,111 was calculated using the Black-Scholes pricing model with the following assumptions: (i) expected life 10 years, (ii) volatility of 77%, (iii) risk free rate of 2.71% (iv) dividend rate of zero, (v) stock price of \$0.042, and (vi) exercise price of \$0.75. The full amount was expensed as of December 31, 2020.

On January 30, 2020, the Board of Directors approved the issuance of options to purchase an aggregate of 800,000 shares of common stock to Boris Goldstein. The options have an exercise price of \$0.75 per share which will vest ratably on a quarterly basis over a two year period. The options will expire on January 30, 2029. The aggregate fair value of \$51,757 was calculated using the Black-Scholes pricing model with the following assumptions: (i) expected life 10 years, (ii) volatility of 76%, (iii) risk free rate of 1.57% (iv) dividend rate of zero, (v) stock price of \$0.12, and (vi) exercise price of \$0.75. The expense will be amortized over the vesting period and a total of \$6,372 was recorded during the three months ended March 31, 2021.

On January 26, 2021, the Board of Directors approved the issuance of options to purchase an aggregate of 16,779 shares of common stock to Nickolay Kukekov. The options have an exercise price of \$1.49 per share and fully vested on the initial grant date. The options will expire on January 26, 2031. The aggregate fair value of \$20,817 was calculated using the Black-Scholes pricing model with the following assumptions: (i) expected life 10 years, (ii) volatility of 85.5%, (iii) risk free rate of 1.05% (iv) dividend rate of zero, (v) stock price of \$1.49, and (vi) exercise price of \$1.49. The expense was recognized in full on the initial grant date.

On February 11, 2021, the Board of Directors approved the issuance of options to purchase an aggregate of 125,000 shares of common stock, 50,000 to Irina Nazarova, and 25,000 each to Denis Serikov, Olesia Sukhaporova and Roman Bondarenko. The options have an exercise price of \$1.50 per share which will vest over a 30-month period as follows: 25% (or 12,500 and 6,250, respectively) shall vest six months after the grant date with the remaining options will vest on a monthly basis at a rate of 1/24th per month. The options will expire on February 11, 2031. The aggregate fair value of \$156,655 was calculated using the Black-Scholes pricing model with the following assumptions: (i) expected life 10 years, (ii) volatility of 85.9%, (iii) risk free rate of 1.16% (iv) dividend rate of zero, (v) stock price of \$1.50, and (vi) exercise price of \$1.50. The expense will be amortized over the vesting period and a total of \$8,254 was recorded during the three months ended March 31, 2021.

The following table summarized the option activity for the three months ended March 31, 2021:

Options	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Balance Outstanding, December 31, 2020	1,800,000	\$ 0.75	9.05	\$ 513,000
Granted	141,779	1.50	9.85	-
Forfeited	-	-	-	-
Exercised	-	-	-	-
Expired	-	-	-	-
Balance Outstanding, March 31, 2021	1,941,779	\$ 0.80	8.38	\$ 1,260,000
Exercisable, March 31, 2021	1,516,779	\$ 0.76	8.16	\$ 1,050,000

For future periods, the remaining value of the stock options totaling approximately \$169,996 will be amortized into the statement of operations consistent with the period for which the services will be rendered.

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NOTE 11 – COMMITMENTS AND CONTINGENCIES

Financial Advisory Agreement

On February 1, 2017, the Company entered into a one-year agreement with a third party to act as the Company's exclusive financial advisor (the "Financial Advisor"). In consideration for services, the Company will pay a cash fee equal to 8% of the total amount of capital received by the Company from institutions and 10% of the total amount of capital received by the Company from retail. With the exception of the Bridge Private Placement Transaction, the Company will also pay a cash amount, representing a non-accountable expense allowance payable immediately upon closing of a financing equal to 3% of the aggregate gross proceeds raised in the transactions from retail. In addition to the cash consideration, the Company will also issue warrants to purchase common stock to the Financial Advisor in an amount equal to 10% of the number of shares of common stock purchased by the investors and that the investors obtain a right to acquire through purchase, conversion or exercise of convertible securities issued by the Company. Those warrants will be immediately exercisable at the price per share at which the investor can acquire the common stock. On February 5, 2018, the agreement was amended to extend the exclusivity period another 12 months through February 1, 2019, all other terms and conditions of the agreement remained the same.

NOTE 12 – SUBSEQUENT EVENTS

In accordance with ASC 855 "Subsequent Events," Company management reviewed all material events through the date this report was issued, and the following subsequent events took place.

Share Offering

The Company is currently involved in a Regulation A+ share offering pursuant to which the Company is offering up to a maximum of 1,111,111 units, with each unit consisting of five shares of common stock, par value \$0.001, and a warrant to purchase one share of common stock, par value \$0.001, at an offering price of \$9.00 per unit or \$1.80 per share of common stock, for a maximum aggregate offering of \$10,000,000.

Allonges to Promissory Notes

On April 19, 2021, the Company entered into an Allonge extending the October Note to October 21, 2021.

On April 20, 2021, the Company entered into Allonges to extend the Grid Notes to April 21, 2022.

On May 4, 2021, the Company entered into Allonge #4 to the Convertible Note (the "Allonge #4"), which further amends the Note by extending the maturity date until August 1, 2021. As consideration for the Allonge #4, the original principal amount was increased by an additional ten percent, and the Company agreed to issue 50,000 shares of its common stock to the holder of the Note. In addition, the warrant expiration date was extended to December 31, 2027.

Promissory Notes

On April 27, 2021, the Company signed a loan agreement in the amount of \$100,000. The loan bears interest of 10% and is due October 27, 2021.

On May 6, 2021, the Company signed a loan agreement in the amount of \$150,000. The loan bears interest of 10% and is due November 6, 2021.

Loan Conversion

On May 6, 2021, the Company received a Notice of Conversion from the holder of the Diamond Note, electing to convert \$12,000 of outstanding principal and \$659 of outstanding interest into 28,127 common shares at an applicable conversion price of \$0.45 per share. This conversion triggered certain anti-dilution provisions of the Note (See note 5) and as a result, the conversion price of the Note was reduced to \$0.45, and the warrant amount was reset to 277,741 with an exercise price of \$0.45 per share.

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

Forward Looking Statements

The following discussion should be read in conjunction with our unaudited financial statements and related notes included in Item 1, "Financial Statements," of this Quarterly Report on Form 10-Q. Certain information contained in this MD&A includes "forward-looking statements." Statements which are not historical reflect our current expectations and projections about our future results, performance, liquidity, financial condition and results of operations, prospects and opportunities and are based upon information currently available to us and our management and their interpretation of what is believed to be significant factors affecting our existing and proposed business, including many assumptions regarding future events. Actual results, performance, liquidity, financial condition and results of operations, prospects and opportunities could differ materially and perhaps substantially from those expressed in, or implied by, these forward-looking statements as a result of various risks, uncertainties and other factors, including those risks described in detail in the section entitled "Risk Factors" of this Quarterly Report on Form 10-Q.

Forward-looking statements, which involve assumptions and describe our future plans, strategies, and expectations, are generally identifiable by use of the words "may," "should," "would," "will," "could," "scheduled," "expect," "anticipate," "estimate," "believe," "intend," "seek," or "project" or the negative of these words or other variations on these words or comparable terminology.

In light of these risks and uncertainties, and especially given the nature of our existing and proposed business, there can be no assurance that the forward-looking statements contained in this section and elsewhere in this Quarterly Report on Form 10-Q will in fact occur. Potential investors should not place undue reliance on any forward-looking statements. Except as expressly required by the federal securities laws, there is no undertaking to publicly update or revise any forward-looking statements, whether as a result of new information, future events, changed circumstances or any other reason.

Overview

We are a neurodiagnostic and predictive technology platform company seeking to provide a centralized platform for data acquisition and analysis of EEG data that combines innovative medical device technologies with cloud-based telehealth services. Both our NeuroCap, a pre-gelled disposable EEG headset, and NeuroEEG, a 16 channel, portable, cloud-enabled data acquisition platform for EEG activity, received FDA clearance to market in 2018.

The Company is not currently offering any data analysis services. The Company is primarily focused on establishing diagnostic protocols to identify pathological risk factors involving the brain, and driving novel insights into cognitive health that support early treatment of neurological disorders.

In 2019, we commenced acting as a distributor of third-party medical devices in Russia (including those purchased from a company affiliated with one of our former officers and directors), which resulted in all of our revenue for 2019. Sales in Russia is also the majority of all revenue in 2020 (except for \$7,498 that was from sales from our U.S. operating subsidiary). While we intend to continue the sale of third party medical devices, we do not intend for it to be our primary source of revenue in the long-term and expect to curtail or cease this line of operations as, if and when we commence generating material, recurring revenues from our products, of which we can give no assurance. We also can give no assurance that any revenue we generate from so acting as a distributor of third-party medical devices will continue, will continue to be material or will be sufficient to enable us to continue our operations. We have no supply or distribution agreements in place with respect to such business. In the event that we see an opportunity to sell such products, we procure them and then re-sell them.

We have very limited resources. To date, our primary activities have been limited to, and our limited resources have been dedicated to, performing business and financial planning, raising capital, recruiting personnel, negotiating with business partners and the licensors of our intellectual property and conducting development activities, although we have acted as a distributor of third-party medical devices in Russia (including those purchased from a company affiliated with one of our officers and directors) which has generated revenue for us. Our first products, the NeuroCap and NeuroEEG, are ready for commercialization and sale and we have commenced some non-recurring, initial sales. Our other products are still being tested or are still under development.

We have incurred losses since inception and had an accumulated deficit of \$11,154,691 as of March 31, 2021, primarily as a result of expenses incurred in connection with our research and development programs and from general and administrative expenses associated with our operations. We expect to continue to incur significant expenses and increasing operating and net losses for the foreseeable future.

Historically, our primary source of cash has been proceeds from the sale of convertible promissory notes and other borrowings. To fund our operations, for the three months ended March 31, 2021, we issued one convertible promissory note for gross proceeds of \$500,000. For the year ended December 31, 2020, we issued convertible promissory notes for aggregate gross proceeds of \$897,700 and a promissory note for gross proceeds of 285,000.

We need to obtain substantial additional funding in connection with our continuing operations through public or private equity or debt financings or other sources, which may include collaborations with third parties. However, we may be unable to raise additional funds when needed on favorable terms or at all. Our failure to raise such capital as and when needed would have a negative impact on our financial condition and our ability to develop and commercialize our products and future products and our ability to pursue our business strategy. See "Liquidity and Capital Requirements" below.

Financial Overview

Revenue

For the three months ended March 31, 2021, we have generated approximately \$117,000 of revenue primarily through our acting as a distributor of third-party medical devices in Russia (including those purchased from a company affiliated with one of our former officers and directors), while we continue to commercialize our products. While we intend to continue generating revenues through the sale of third-party medical devices, we do not intend for it to be our primary source of revenue in the long-term. We do not expect to generate recurring, material revenue from our products unless or until we successfully commercialize our products. If we fail to successfully commercialize our developed products or fail to complete the development of any other product candidate we may pursue in the future, in a timely manner, or fail to obtain regulatory approval, we may not be able to solely rely on generating substantial and material revenue from the distribution of third-party medical devices.

General and Administrative

General and administrative expenses consist primarily of personnel-related costs for personnel in functions not directly associated with research and development activities. Other significant costs include legal fees relating to corporate matters, intellectual property costs, professional fees for consultants assisting with regulatory, clinical, product development and financial matters, and product costs. We anticipate that our general and administrative expenses will significantly increase in the future to support our continued research and development activities, commercialization of our products, if approved, and the increased costs of operating as a public company. These increases will include increased costs related to the hiring of additional personnel and fees for legal and professional services, as well as other public company related costs.

Research and Development

Research and development expenses consist of expenses incurred in performing research and development activities in developing our products. Research and development expenses include compensation and benefits for research and development employees, overhead expenses, cost of laboratory supplies, clinical trial and related clinical manufacturing expenses, costs related to regulatory operations, fees paid to consultants, and other outside expenses. Research and development costs are expensed as incurred and costs incurred by third parties are expensed as the contracted work is performed.

We expect our research and development expenses to remain substantially the same for the next six to nine months as we continue to develop and commercialize our products. As we develop our cloud-based computing system, we expect our research and development expenses to significantly increase.

Interest Expense

Interest expense primarily consists of amortized debt discount related to the convertible and non-convertible notes we issued in 2019 and 2020. The convertible notes bear interest at fixed rate ranging from 10%-12% per annum.

Results of Operations

The following table sets forth the results of operations of the Company for the three months ended March 31, 2021 and 2020.

	Three Months Ended March 31,		Period to Period Change
	2021	2020	
Revenue	\$ 117,229	\$ 133,845	\$ (16,616)
Cost of goods sold	90,946	104,982	(14,036)
Research and development	100,844	96,390	4,454
Professional fees	132,292	123,608	8,684
Sales and marketing expenses	77,254	40,584	36,670
General and administrative	511,653	208,635	303,018

Interest expense	393,848	453,616	(59,768)
Loss on debt extinguishment	91,735		91,735
Change in fair market value of derivative liabilities	\$ 1,911,129	\$ 47,219	\$ 1,863,910

Three Months Ended March 31, 2021 vs. March 31, 2020

Revenues

Revenue for the three months ended March 31, 2021 was \$117,229, compared to \$133,845 for the three months ended March 31, 2020. In the three months ended March 31, 2021 and 2020, we generated our revenue primarily through acting as a distributor of third-party medical devices in Russia (including those purchased from a company affiliated with one of our former officers and directors).

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General and administrative expenses

General and administrative expenses were \$511,653 for the three months ended March 31, 2021, compared to \$208,635 for the three months ended March 31, 2020. The increase in general and administrative expenses were primarily due to an increase in consulting fees related to marketing and fundraising activities. In addition, wages increased in the current quarter due to a new employee and increased stock-based compensation expenses.

Research and development expenses

Research and development expenses were \$100,844 for the three months ended March 31, 2021, compared to \$96,390 for the three months ended March 31, 2020.

Professional fees

Professional fees were \$132,292 for the three months ended March 31, 2021, compared to \$123,608 for the three months ended March 31, 2020. The increase was primarily due to an increase in legal fees in the current year due to regulatory requirements and capital raising.

Interest expense

Interest expense for the three months ended March 31, 2021 was \$393,848, consisting of interest expense of \$31,137 and amortization of debt issuance costs and discounts of approximately \$362,711 related to the Company's convertible and non-convertible promissory notes.

Liquidity and Capital Resources

While we have generated revenue in 2021 and 2020, we anticipate that we will continue to incur losses for the foreseeable future. Furthermore, substantially all of such revenue was generated through acting as a distributor of third-party medical devices in Russia, and we did not have any material sales of our products. We anticipate that our expenses will increase substantially as we develop our products and pursue pre-clinical testing and clinical trials, seek any further regulatory approvals, contract to manufacture any products, establish our own sales, marketing and distribution infrastructure to commercialize our products, hire additional staff, add operational, financial and management systems and operate as a public company.

Historically, our primary source of cash has been proceeds from the sale of convertible promissory notes and related party loans. We have also from time to time issued shares of our common stock to individuals and entities as payment for services rendered to us in lieu of cash.

We have no current source of revenue to sustain our present activities other than as acting as a distributor of medical devices in Russia (including those purchased from a company affiliated with one of our offices and directors), which is not our primary business goal, and we do not expect to generate material revenue, from our products until, and unless, the FDA or other regulatory authorities approve our products under development and we successfully commercialize our products. Until such time, if ever, as we can generate substantial product revenue, we expect to finance our cash needs through our distributorship revenue, a combination of equity (preferred stock or common stock) and debt financings as well as collaborations, strategic alliances and licensing arrangements. We do not have any committed external source of funds. To the extent that we raise additional capital through the sale of equity or convertible debt securities, the ownership interest of our stockholders will be diluted, and the terms of these securities may include liquidation or other preferences that adversely affect your rights as a common stockholder. Debt financing, if available, may involve agreements that include covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, making capital expenditures or declaring dividends. If we raise additional funds through collaborations, strategic alliances or licensing arrangements with third-party partners, we may have to relinquish valuable rights to our technologies, future revenue streams or grant licenses on terms that may not be favorable to us. If we are unable to raise additional funds through equity or debt financings or through collaborations, strategic alliances or licensing arrangements when needed, we may be required to delay, limit, reduce or terminate our Product development, future commercialization efforts, or grant rights to develop and market our cortical strip, grid electrode and depth electrode technology that we would otherwise prefer to develop and market ourselves.

Our independent registered public accounting firm included an explanatory paragraph in its report on our financial statements as of and for the years ended December 31, 2020 and 2019, noting the existence of substantial doubt about our ability to continue as a going concern. This uncertainty arose from management's review of our results of operations and financial condition and its conclusion that, based on our operating plans, we did not have sufficient existing working capital to sustain operations for a period of twelve months from the date of the issuance of these financial statements.

We will require additional funds and/or generate revenues, to continue to fund our operating expenses.

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In February 2021, we issued a convertible promissory note in the amount of \$500,000. We may obtain additional financing in the future through the issuance of our common stock, through other equity or debt financings or through collaborations or partnerships with other companies. We may not be able to raise additional capital on terms acceptable to us, or at all, and any failure to raise capital as and when needed could compromise our ability to execute on our business plan. We recently launched a Regulation A+ offering pursuant to which the Company is offering up to a maximum of 1,111,111 units, with each unit consisting of five shares of common stock, par value \$0.001, and a warrant to purchase one share of common stock, par value \$0.001, at an offering price of \$9.00 per unit or \$1.80 per share of common stock, for a maximum aggregate offering of \$10,000,000, the success of which cannot be assured by the Company. As of the date hereof, the Company has raised approximately \$8,000 under its Regulation A+ offering.

The development of our products is subject to numerous uncertainties, and we have based these estimates on assumptions that may prove to be substantially different than we currently anticipate and could use our cash resources sooner than we expect. Additionally, the process of developing medical devices is costly, and the timing of progress in pre-

clinical tests and clinical trials is uncertain. Our ability to successfully transition to profitability will be dependent upon achieving a level of product sales adequate to support our cost structure. We cannot assure you that we will ever be profitable or generate positive cash flow from operating activities.

Net cash used in operating activities

Net cash used in operating activities was \$577,787 for the three months ended March 31, 2021 compared to \$252,319 for the three months ended March 31, 2020. This fluctuation is primarily due to an increase in net loss of approximately \$2,246,000, a decrease in amortization of debt discount of approximately \$69,000, and accounts payable of approximately \$161,000 partially offset by an increase in change in fair value of derivative liabilities of approximately \$1,864,000, loss on debt extinguishment of approximately \$92,000, common stock issued for services of approximately \$89,000, prepaid expenses and other current assets of approximately \$43,000, accounts payable – related party of 76,000 and a decrease in the amortization of debt discount and non-cash interest expense of approximately \$69,200.

Net cash used in investing activities

Net cash used in investing activities was \$0 for the three months ended March 31, 2021, and March 31, 2020.

Net cash provided by financing activities

Net cash provided by financing activities was \$400,000 for the three months ended March 31, 2021, which primarily consisted of the issuance of a convertible promissory note for aggregate gross proceeds of \$500,000 offset by the partial repayment of a different convertible promissory note.

Net cash provided by financing activities was \$20,000 for the three months ended March 31, 2020, which consisted of the proceeds from the issuance of a note payable.

Critical Accounting Policies and Significant Judgments and Estimates

Our management's discussion and analysis of our financial condition and results of operations is based on our financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America, or GAAP. The preparation of these financial statements requires us to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities as of the dates of the balance sheets and the reported amounts of revenue and expenses during the reporting periods. In accordance with GAAP, we base our estimates on historical experience and on various other assumptions that we believe are reasonable under the circumstances at the time such estimates are made. Actual results may differ materially from our estimates and judgments under different assumptions or conditions. We periodically review our estimates in light of changes in circumstances, facts and experience. The effects of material revisions in estimates are reflected in our financial statements prospectively from the date of the change in estimate.

While our significant accounting policies are more fully described in the notes to our financial statements appearing elsewhere in this Report, we believe the following are the critical accounting policies used in the preparation of our financial statements that require significant estimates and judgments.

Use of Estimates: The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates in the accompanying consolidated financial statements include the estimates of useful lives for depreciation, the valuation of stock options, and the valuation of derivative liabilities.

Fair Value of Financial Instruments: Fair value is defined as the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants. A fair value hierarchy has been established for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The fair value hierarchy is as follows:

- Level 1 Inputs - Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.
- Level 2 Inputs - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These might include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability (such as interest rates, volatilities, prepayment speeds, credit risks, etc.) or inputs that are derived principally from or corroborated by market data by correlation or other means.
- Level 3 Inputs - Unobservable inputs for determining the fair values of assets or liabilities that reflect an entity's own assumptions about the assumptions that market participants would use in pricing the assets or liabilities.

Financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable and borrowings. The fair value of current financial assets and current financial liabilities approximates their carrying value because of the short-term maturity of these financial instruments.

Derivative Instruments: The Company evaluates its convertible notes and warrants to determine if those contracts or embedded components of those contracts qualify as derivatives to be separately accounted for in accordance with ASC 815. The result of this accounting treatment is that the fair value of the embedded derivative is recorded as a liability and marked-to-market each balance sheet date. In the event that the fair value is recorded as a liability, the change in fair value is recorded in the statements of operations as other income or expense. Upon conversion or exercise of a derivative instrument, the instrument is marked to fair value at the conversion date and then that fair value is reclassified to equity.

The Company utilizes the Monte Carlo Method that values the liability of the debt conversion feature, derivative financial instruments and derivative warrants in cases where there may be multiple embedded features or the features of the bifurcated derivatives may be so complex that a Black-Scholes valuation does not consider all of the terms of the instrument. Therefore, the fair value may not be appropriately captured by simple models. The Monte Carlo technique applied generates many possible (but random) price paths for the underlying (or underlyings) via simulation, and then calculates the associated payment value of the derivative features. The price of the underlying common stock is modeled such that it follows a geometric Brownian motion with constant drift, and constant volatility. The stock price is determined by a random sampling from a normal distribution. Since the underlying random process is the same, for enough price paths, the value of derivative is derived from path dependent scenarios and outcomes.

From time to time, certain of the Company's embedded conversion features on debt and outstanding warrants have been treated as derivative liabilities for accounting purposes under ASC 815 due to insufficient authorized shares to fully settle conversion features of the instruments if exercised. In this case, the Company utilized the latest inception date sequencing method to reclassify outstanding instruments as derivative instruments. These contracts were recognized at fair value with changes in fair value recognized in earnings until such time as the conditions giving rise to such derivative liability classification were settled.

Revenue Recognition: On January 1, 2018, the Company adopted ASC Topic 606 Revenue from Contracts with Customers. This guidance requires an entity to recognize revenue by applying the following steps: (1) identify the contract with a customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to each performance obligation in the contract; and (5) recognize revenue when each performance obligation is satisfied. Once the steps are met, revenue is recognized, generally upon receiving a letter of acceptance from the customer. There has been no material effect on the Company's financial statements as a

result of adopting Topic 606.

The Company recognizes revenue from the sale of NeuroCaps, as well as revenue from the sale of goods purchased through manufacturers of medical devices. Primarily all revenue for the three months ended March 31, 2021 is from the sale of medical devices in Russia purchased from Neurotech, a related party.

Income Taxes. The Company accounts for income taxes under the asset and liability method, as required by the accounting standard for income taxes, ASC 740. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis, as well as net operating loss carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Stock Based Compensation. The Company accounts for the grant of restricted stock awards in accordance with ASC 718, "Compensation-Stock Compensation." ASC 718 requires companies to recognize in the statement of operations the grant-date fair value of equity based compensation. The expense is recognized over the period during which the employee is required to provide service in exchange for the compensation. Any remaining unrecognized balance will be recognized ratably over the life of the vesting period and is a reduction of stockholders' equity.

The Company accounts for non-employee share-based awards in accordance with the measurement and recognition criteria of ASC 505-50 "Equity-Based Payments to Non-Employees."

Recent Accounting Pronouncements

In August 2018, the FASB issued ASU No. 2018-13, "Changes to Disclosure Requirements for Fair Value Measurements," which will improve the effectiveness of disclosure requirements for recurring and nonrecurring fair value measurements. The standard removes, modifies, and adds certain disclosure requirements and is effective for the Company beginning on January 1, 2020. This standard did not have a material impact on the Company's condensed consolidated financial statements and related disclosures.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Not applicable for smaller reporting companies.

Item 4. Controls and Procedures.

Disclosure Controls and Procedures

We maintain a system of disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act). As required by Rule 13a-15(b) under the Exchange Act, management of the Company, under the direction of our Board of Directors and Chief Financial Officer, reviewed and performed an evaluation of the effectiveness of design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) as of March 31, 2021. Based on that review and evaluation, the Board of Directors and Chief Financial Officer, along with the management of the Company, have determined that as of March 31, 2021, the disclosure controls and procedures were not effective to provide reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and were not effective to provide reasonable assurance that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosures. Specifically, we have identified the following material weakness in our disclosure controls: (i) insufficient written policies and procedures to ensure timely filing of reports that the Company files or submits under the Exchange Act, and (ii) a lack of full-time executive management, including a lack of a full-time chief executive officer and chief financial officer, and other members of management who would otherwise oversee the Company's disclosure controls and procedures.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting, identified in connection with the evaluation of such internal control that occurred during our last fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II OTHER INFORMATION

Item 1. Legal Proceedings.

From time to time, we may become involved in various lawsuits and legal proceedings, which arise in the ordinary course of business. However, litigation is subject to inherent uncertainties, and an adverse result in these or other matters may arise from time to time that may harm business.

We are not currently a party in any legal proceeding or governmental regulatory proceeding nor are we currently aware of any pending or potential legal proceeding or governmental regulatory proceeding proposed to be initiated against us that would have a material adverse effect on us or our business.

Item 1A. Risk Factors.

Not required for a Smaller Reporting Company.

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

As of March 31, 2021, the Company granted pursuant to existing consulting agreements, an aggregate of 47,798 restricted shares under the Company's 2018 Equity Incentive Plan, as consideration for services provided by such consultants during the three months ended March 31, 2021. Of such shares, 17,136 were considered issued for accounting

purposes on earlier dates and reflected on the Company's Balance Sheets, and as further described in Note 9 of Part I, Item 1 of this Quarterly Report on Form 10-Q. Such shares were issued in reliance on the exemption from registration provided by Section 4(a)(2) of the Securities Act of 1933, as amended, as no general solicitation was used in the offer and sale of such securities.

All other unregistered issuances of equity securities during the period covered by this Quarterly Report on Form 10-Q have been previously disclosed on our Current Reports on Form 8-K.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

None.

Item 6. Exhibits

The exhibits listed below are hereby furnished to the SEC as part of this report:

10.1	Allonge #3 to Promissory Note (Incorporated by reference to the Registrant's Current Report on Form 8-K filed on February 12, 2021)
10.2	Allonge #2 to Promissory Note in favor of ProudLiving, LLC
10.3	Allonge #2 to Convertible Promissory Note in favor of John Silvestri
10.4	Allonge #2 to Convertible Promissory Note in favor of Len P. Mertz
10.5	Allonge #2 to Convertible Promissory Note in favor of Leonard Mazur
31.1	Certification of Boris Goldstein, Chairman of the Board
31.2	Certification of Mark Corrao, Chief Financial Officer
32.1	Certification of Boris Goldstein, Chairman of the Board, 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 Mark Corrao, Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.1	XBRL Instance.
101.SCH	XBRL Taxonomy Extension Schema.
101.CAL	XBRL Taxonomy Extension Calculation.
101.DEF	XBRL Taxonomy Extension Definition.
101.LAB	XBRL Taxonomy Extension Labels.
101.PRE	XBRL Taxonomy Extension Presentation.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, this 24th day of May, 2021.

BRAIN SCIENTIFIC INC.

By: /s/ Boris Goldstein
Name: Boris Goldstein
Title: Chairman of the Board
(Interim Principal Executive Officer)

By: /s/ Mark Corrao
Name: Mark Corrao
Title: Chief Financial Officer
(Principal Financial and Accounting Officer)

ALLONGE #2 TO PROMISSORY NOTE

Allonge #2 (this "Allonge") to that certain Non-Convertible Promissory Note (as amended, the "Promissory Note") attached hereto as Exhibit 1 and made a part hereof in the principal amount of \$20,000 dated February 21, 2020, from Brain Scientific Inc., a Nevada corporation (the "Company"), in favor of PROUDLIVING, LLC, as Holder (the "Holder").

The Company and the Holder agree that the Promissory Note shall be revised as follows:

1. The definition of "Maturity Date" in Section 1.1 of the Promissory Note shall be amended and replaced to read as follows:

"**Maturity Date**" shall mean February 21, 2022."

This Allonge is intended to be attached to and made a permanent part of the Promissory Note.

Dated: February 24, 2021 but effective as of February 21, 2021.

Company:

BRAIN SCIENTIFIC INC.

By: /s/ Boris Goldstein
Name: Boris Goldstein
Title: Chairman

Holder:

PROUDLIVING, LLC
By: /s/
Name:
Title:

ALLONGE #2 TO CONVERTIBLE PROMISSORY NOTE

Allonge #2 (this "Allonge") to that certain Convertible Promissory Note (as amended, the "Convertible Promissory Note") attached hereto as Exhibit 1 and made a part hereof in the principal amount of \$150,000 dated July 23, 2019, from Brain Scientific Inc., a Nevada corporation (the "Company"), in favor of John Silvestri, as Holder (the "Holder").

The Company and the Holder agree that the Convertible Promissory Note shall be revised as follows:

1. The definition of "Maturity Date" in Section 1.1 of the Convertible Promissory Note shall be amended and replaced to read as follows:

"**Maturity Date**" shall mean the earlier of: (a) February 21, 2022 or (b) the consummation of a Qualified Financing or other event pursuant to which Conversion Shares are to be issued pursuant to the terms of this Note."

This Allonge is intended to be attached to and made a permanent part of the Convertible Promissory Note.

Dated as of the 24th day of February, 2021 but effective as of February 21, 2021.

Company:

BRAIN SCIENTIFIC INC.

By: /s/ Boris Goldstein

Name: Boris Goldstein

Title: Chairman

Holder:

JOHN SILVESTRI

By: /s/ John Silvestri

ALLONGE #2 TO CONVERTIBLE PROMISSORY NOTE

Allonge #2 (this "Allonge") to that certain Convertible Promissory Note (as amended, the "Convertible Promissory Note") attached hereto as Exhibit 1 and made a part hereof in the principal amount of \$130,000 dated February 5, 2019, from Brain Scientific Inc., a Nevada corporation (the "Company"), in favor of Len P. Mertz, as Holder (the "Holder").

The Company and the Holder agree that the Convertible Promissory Note shall be revised as follows:

1. The definition of "Maturity Date" in Section 1.1 of the Convertible Promissory Note shall be amended and replaced to read as follows:

"**Maturity Date**" shall mean the earlier of: (a) January 18, 2022 or (b) the consummation of a Qualified Financing or other event pursuant to which Conversion Shares are to be issued pursuant to the terms of this Note."

This Allonge is intended to be attached to and made a permanent part of the Convertible Promissory Note.

Dated as of the 24th day of February, 2021 but effective as of January 18, 2021.

Company:

BRAIN SCIENTIFIC INC.

By: /s/ Boris Goldstein
Name: Boris Goldstein
Title: Chairman

Holder:

LEN P. MERTZ
By: /s/ Len P. Mertz

ALLONGE #2 TO CONVERTIBLE PROMISSORY NOTES

Allonge #2 (this "Allonge") to that certain Convertible Promissory Note (as amended, the "Convertible Promissory Note") attached hereto as Exhibit 1 and made a part hereof in the principal amount of \$100,000 dated January 18, 2019, from Brain Scientific Inc., a Nevada corporation (the "Company"), in favor of Leonard Mazur, as Holder (the "Holder").

The Company and the Holder agree that the Convertible Promissory Note shall be revised as follows:

1. The definition of "Maturity Date" in Section 1.1 of the Convertible Promissory Note shall be amended and replaced to read as follows:

"**Maturity Date**" shall mean the earlier of: (a) January 18, 2022 or (b) the consummation of a Qualified Financing or other event pursuant to which Conversion Shares are to be issued pursuant to the terms of this Note."

This Allonge is intended to be attached to and made a permanent part of the Convertible Promissory Note.

Dated as of the 24th day of February, 2021 but effective as of January 18, 2021.

Company:

BRAIN SCIENTIFIC INC.

By: /s/ Boris Goldstein

Name: Boris Goldstein

Title: Chairman

Holder:

LEONARD MAZUR

By: /s/ Leonard Mazur

**Certifications of Principal Executive Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Boris Goldstein, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Brain Scientific Inc.;
2. Based upon my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based upon my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal controls over financial reporting, or caused such internal controls over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrants' board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: May 24, 2021

/s/ Boris Goldstein

Chairman, Secretary and
Executive Vice President
(Principal Executive Officer)

**Certifications of Principal Financial Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Mark Corrao, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Brain Scientific Inc.;
2. Based upon my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based upon my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report.
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal controls over financial reporting, or caused such internal controls over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrants' board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Dated: May 24, 2021

/s/ Mark Corrao

Chief Financial Officer
(Principal Financial and Accounting Officer)

**Certification of Principal Executive Officer
Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002**

I, Boris Goldstein, Chairman of the Board, Secretary and Executive Vice President of Brain Scientific Inc., hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge, the quarterly report on Form 10-Q for the period ending March 31, 2021 of Brain Scientific Inc. (the "Form 10-Q") fully complies with the requirements of Section 13 (a) or 15 (d) of the Securities Exchange Act of 1934 and the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of Brain Scientific Inc.

Dated: May 24, 2021

/s/ Boris Goldstein
Boris Goldstein
Chairman, Secretary and
Executive Vice President
(Principal Executive Officer)

**Certification of Principal Financial Officer
Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002**

I, Mark Corrao, Chief Financial Officer of Brain Scientific Inc., hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge, the quarterly report on Form 10-Q for the period ending March 31, 2021 of Brain Scientific Inc. (the "Form 10-Q") fully complies with the requirements of Section 13 (a) or 15 (d) of the Securities Exchange Act of 1934 and the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of Brain Scientific Inc.

Dated: May 24, 2021

/s/ Mark Corrao

Mark Corrao

Chief Financial Officer

(Principal Financial and Accounting Officer)