



Updating Financials on Form C

The StartEngine Services Team

Please update the table below -

	Prior fiscal year (2020)	Most recent fiscal year-end (2021)
Total Assets*	\$116,875	\$202,707
Cash & Cash Equivalents*	\$13,388	\$64,269
Accounts Receivable*	\$0.0	\$0.0
Short-term Debt*	\$514,900	\$436,215
Long-term Debt*	\$150,000	\$150,000
Revenues / Sales*	0	\$0.\$0.0
Costs of Goods Sold*	\$0.\$0.0	\$0.0
Taxes Paid*	\$0.0	\$0.0
Net Income*	\$(418,616)	\$14,956

1. Results of Operations

- a. What are the circumstances which led to the performance of your financial statements?
 - i. Old Answer:

Overview

The Company was incorporated in Delaware in December of 2018, but did not formally start operations until the first quarter of 2019. Accordingly, the first year of operations was 2019. The Covid-19 pandemic has had, and continues to have, a significant impact around the world. Pandemic measures taken by many countries have affected and could in the future materially impact our results of operations and financial condition. The extent of the continuing impact of the pandemic on the Company's operational and financial performance is uncertain and will depend on many factors outside the Company's control. See Risk Factors for more information.

Results of Operations

Year ended December 31, 2020 compared to year ended December 31, 2019

Revenues:

The Company is a clinical stage company and is focused on research and development. There are important stages we must successfully pass through before we receive FDA clearance to manufacture and sell our Phoenix PTSD treatment. Therefore, we did not generate product revenues for the years ended December 31, 2020 and 2019 and will not generate any in 2021. The Company has a research product, the Phoenix CR-100, that is expected to launch in 2022, which should generate revenue in 2022. The Phoenix earbud will not be launched until 2023.

Other Income

The Company had no Other Income in 2019. In 2020, the Company recognized \$59,549 in Other Income, arising from a Paycheck Protection Program (PPP) loan of \$51,549 and a \$7,000 grant under the Economic Injury Disaster Loan (EIDL) program. The PPP loan was forgiven during 2021. We expect Other Income to increase in 2021 as a result of a second \$30,741 PPP loan (which was also forgiven in 2021) and the successful award and funding of a \$256,581 Small Business Innovation Research (SBIR) grant during 2021. We anticipate that other successful applications for SBIR and other intermural funds during 2022 will generate an increase in Other Income in 2022 and subsequent years. We do not anticipate that the Other Income in 2021 or 2022 will be sufficient fully to offset our expected Operating Expenses for those years.

Costs and Expenses:

The Company's operating expenses increased 29% from \$338,511 in 2019 to \$435,522 in 2020. Operating expenses are classified as Research and Development (R&D) and Selling, General, and Administrative (SG&A). R&D expenses include labor, research and development, clinical, quality, and regulatory. R&D costs increased 91% from \$179,857 in 2019 to \$343,801 in 2020, driven primarily by increases in headcount-related R&D expenses. SG&A expenses are composed of non-R&D compensation, legal, financing, travel, and other general and administrative expenses. Because there have been no sales of product, SG&A does not include any selling expenses in either 2019 or 2020, and none will be recognized in 2021. General and Administrative expenses decreased 42% from \$158,654 in 2019 to \$91,722 in 2020. This decrease resulted from the increase in the scale of research and development and the consequent allocation of additional salaries from G&A to R&D. Both R&D and SG&A are expected to increase in 2021 and 2022. With the launch of the Phoenix CR-100 in 2022, we expect sales and marketing expenses to be incurred for the first time in 2022.

Interest expense increased 233% from \$12,792 in 2019 to \$42,643 in 2020, primarily as a result of the issuance of \$90,000 in outstanding promissory notes due to an officer (see Note 13 "Related Party" in the financial statements), the sale of \$99,900 of a new convertible note in early 2020, and the fact that a total of \$514,900 in convertible notes were outstanding for the entire year of 2020 compared to only a portion of 2019. In addition, the Company obtained an EIDL loan from the SBA in the amount of \$150,000 which bears interest at 3.75%. The issuance of an additional \$350,000 of convertible notes and an additional \$50,000 of promissory notes due to an officer (see Note 13 "Related Party"), both in 2021, will likely result in an increase in interest

charges in 2021 and 2022. The Company may elect to devote a portion of the proceeds of this Offering to repaying promissory notes (see Use of Proceeds).

Substantially all the interest reported in 2020 or 2019 was non-cash interest accruals, and that is expected to continue in 2021.

Net Loss:

Net loss before income taxes increased 19% from \$351,304 in 2019 to \$418,616 in 2020, primarily as a result of an increase in the scale of the Company's operations. Since the end of the period covered by our financial statements, our legal and professional, research and development expenses, marketing, and advertising expenses are expected to increase in connection with this Offering. In addition, our expenses related to wages and payroll taxes have temporarily decreased due to employee voluntarily deferring wages.

ii. New Answer:

1. Revenue

No change

2. Cost of Revenue

No change

3. Gross Margins

No change

4. Expenses

The Company's R&D expenses increased 32.2% from \$343,801 to \$454,351 reflecting an increase in the scale of operations. SG&A increased 107% from \$91,722 to \$189,444, reflecting increased personnel and a cessation in income deferral by one of the senior officers. Total operating expenses increased 47.8% from \$435,522 to \$643,795. Interest expense increased 349% from \$42,643 to \$191,349 resulting from increased principal amounts of total debt and the fact that certain debt was outstanding for the entire year of 2021. Substantially all the interest was non-cash interest.

The Company recognized \$552,778 of non-cash other income related to a change in fair value of the derivative component of the Company's convertible notes.

2. Historical Results & Cash Flows

- a. Please discuss whether historical results and cash flows are representative of what investors should expect in the future*

i. Old Answer:

The Company is currently in clinical development stage and is pre-revenue. Historical cash flows will not be indicative of the revenue and cash flows expected for the future because as Evren executes its business plan toward specific milestone achievements including clinical trials as well as the commercial launch of the Phoenix CR-100, working capital requirements will increase. Past cash flow was generated primarily through sales of equity, issuance of convertible notes, and loans. In 2021, cash flow will be positively impacted by the award of an SBIR grant in the amount of \$256,581, and negatively impacted by the continued increase in the scale of operations. Our goal is to generate positive net revenue thorough the sale of the CR-100 device during 2022, the execution of a successful Offering, and the continued targeting of early-stage venture capital institutions and angel groups for additional equity or convertible notes.

ii. New Answer: No change

3. Liquidity and Capital Resources

a. *What capital resources are currently available to the company? (Cash on hand, existing lines of credit, shareholder loans, etc...)*

i. Old Answer:

As of January 31, 2022, the Company has capital resources available in the form of cash on hand of \$32,022.35, a credit line under the Company's business credit card of \$14,000, and a line of credit from an officer in the amount of \$25,000.

ii. New Answer:

As of December 31, 2021, the Company had cash on hand of \$64,269. Cash on hand had increased significantly by April 28th due to funds dispersed from the crowdfunding campaign.

4. Liquidity and Capital Resources - Financial Resources

a. *How do the funds of this campaign factor into your financial resources? (Are these funds critical to your company operations? Or do you have other funds or capital resources available?)*

i. Old Answer:

We believe the funds of this Offering are critical to our operations; however, we also have been competitively selected for an award by the US Army of a Phase 1, Small Business Technology Transfer grant in the amount of approximately \$172,992.52

expected in 2022. In addition, we have on-going efforts to raise capital from venture capital, high net worth individuals, and angel groups, as well as multiple opportunities for non-dilutive funding through grants from the NIH, the Defense Department, and via the Medical Technology Enterprise Consortium, of which we are a member. MTEC is biomedical technology consortium collaborating under an Other Transaction Agreement (OTA) with the U.S. Army Medical Research and Development Command (USAMRDC).

ii. **New Answer:**

No change except the commencement of an offering under Regulation CF which has raised over \$170,000 in the first three weeks of the campaign.

5. Liquidity and Capital Resources - Viability

- a. *Are the funds from this campaign necessary to the viability of the company? (Of the total funds that your company has, how much of that will be made up of funds raised from the crowdfunding campaign?)*

i. **Old Answer:**

We believe the funds from this Offering are necessary to the viability of the Company. Of the total funds that our Company has, the majority will be made up of funds raised from the Offering, if it raises its maximum funding goal.

New Answer:

No change

6. Liquidity and Capital Resources - Operating Expenses

- a. *How long will you be able to operate the company if you raise your maximum funding goal?*

i. **Old:**

If the Company raises the maximum of \$1,069,998.30, and assuming a net to the Company of approximately \$800,000 (net of StartEngine fees, and raise dollars reinvested back into marketing), the Company will be able to operate for 14 months through at least March of 2023. This is based on a current monthly burn rate of \$40,000 (expected to increase to \$60,000) for expenses related to salaries, manufacturing costs, inventory, continued product development of the Phoenix earbud, audit fees, and sales and marketing expenses.

New Answer:

No Change, except that the Company will be able to operate through May of 2023. And, change the net to the Company from \$800,000 to \$700,000.

- b. How long will you be able to operate the company if you raise your minimum?
What expenses is this estimate based on?*
- i. Old:

The minimum offering amount of \$9,994.95 (together with cash on hand and the anticipated STTR from the US Army) will allow the Company to operate for at least four months. This is based on a current monthly burn rate of \$40,000 for expenses related to R&D, rent, and salaries. Depending on sales uptake of the CR-100, at the anticipated gross margin, additional runway is expected. In addition, some management salaries can be deferred for short periods.

New Answer:

Not relevant as the Company has exceeded the minimum raised.

7. Liquidity and Capital Resources - Future Sources of Capital

- a. Are there any additional future sources of capital available to your company?
(Required capital contributions, lines of credit, contemplated future capital raises, etc...)*

i.Old:

Currently, if the Company achieves the \$1,070,000 Offering goal, the Company intends to increase the Regulation CF offering to \$5,000,000. In addition, the Company will continue to seek institutional investment from venture capitalists and

angel groups.

ii. New Answer:

No change.