

SECURITIES & EXCHANGE COMMISSION EDGAR FILING

Modular Medical, Inc.

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549**

FORM 10-Q

(Mark One)

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended December 31, 2020

or

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number: 000-49671

MODULAR MEDICAL, INC.

(Exact Name of Registrant as Specified in its Charter)

Nevada

(State or Other Jurisdiction of
Incorporation or Organization)

87-0620495

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

16772 West Bernardo Drive, San Diego, California 92127

(Address of Principal Executive Offices) (Zip Code)

(858) 800-3500

(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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

x Yes o No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

x Yes o No

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

Large accelerated filer

Non-accelerated filer

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).

The number of outstanding shares of the registrant's common stock, par value \$0.001 per share, was 18,832,648 as of February 11, 2021.

Part I – FINANCIAL INFORMATION

Item 1. Financial Statements

Modular Medical, Inc.
(f/k/a- Bear Lake Recreation, Inc.)
Condensed Consolidated Balance Sheets

	December 31, 2020 (Unaudited)	March 31, 2020
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 596,542	\$ 3,122,134
Other current assets	48,196	64,159
TOTAL CURRENT ASSETS	644,738	3,186,293
Property and equipment, net	328,832	301,308
Right of use asset, net	217,956	270,950
Security deposit	100,000	100,000
TOTAL NON-CURRENT ASSETS	646,788	672,258
TOTAL ASSETS	\$ 1,291,526	\$ 3,858,551
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
CURRENT LIABILITIES		
Accounts payable	\$ 207,308	\$ 367,019
Accrued expenses	308,149	202,160
Short-term lease liability	121,012	92,214
PPP note payable, current	184,390	—
TOTAL CURRENT LIABILITIES	820,859	661,393
LONG-TERM LIABILITIES		
Long-term lease liability	217,030	178,736
Bonus payable	70,000	140,000
PPP note payable	184,390	—
TOTAL LONG-TERM LIABILITIES	471,420	318,736
TOTAL LIABILITIES	1,292,279	980,129
Commitments and Contingencies (Note 8)		
STOCKHOLDERS' EQUITY (DEFICIT)		
Preferred Stock, \$0.001 par value, 5,000,000 shares authorized, none issued and outstanding	—	—
Common Stock, \$0.001 par value, 50,000,000 shares authorized, 18,832,648 shares issued and outstanding as of December 31, 2020 and 17,870,261 as of March 31, 2020	18,832	17,870
Additional paid-in capital	14,154,880	10,505,592
Common stock issuable	—	923,994
Accumulated deficit	(14,174,465)	(8,569,034)
TOTAL STOCKHOLDERS' (DEFICIT) EQUITY	(753)	2,878,422
TOTAL LIABILITIES AND STOCKHOLDERS' (DEFICIT) EQUITY	\$ 1,291,526	\$ 3,858,551

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

Modular Medical, Inc.
(f/k/a- Bear Lake Recreation, Inc.)
Condensed Consolidated Statements of Operations
(Unaudited)

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2020	2019	2020	2019
Operating expenses				
Research and development	\$ 1,086,669	\$ 608,019	\$ 3,150,149	\$ 1,945,043
General and administrative	<u>783,898</u>	<u>527,829</u>	<u>2,453,808</u>	<u>1,486,386</u>
Total Operating Expenses	1,870,567	1,135,848	5,603,957	3,431,429
Loss from operations	(1,870,567)	(1,135,848)	(5,603,957)	(3,431,429)
Other income				
Interest income	<u>22</u>	<u>2,331</u>	<u>126</u>	<u>28,148</u>
Loss before income taxes	(1,870,545)	(1,133,517)	(5,603,831)	(3,403,281)
Provision for income taxes	<u>—</u>	<u>—</u>	<u>1,600</u>	<u>—</u>
Net Loss	<u>\$ (1,870,545)</u>	<u>\$ (1,133,517)</u>	<u>\$ (5,605,431)</u>	<u>\$ (3,403,281)</u>
Net Loss Per Share				
Basic and diluted	<u>\$ (0.10)</u>	<u>\$ (0.06)</u>	<u>\$ (0.30)</u>	<u>\$ (0.19)</u>
Weighted Average Number of Shares Outstanding				
Basic and diluted	18,747,112	17,870,261	18,562,577	17,862,625

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

Modular Medical, Inc.
(f/k/a- Bear Lake Recreation, Inc.)
Condensed Consolidated Statements of Stockholders' Equity (Deficit)
(Unaudited)

	Common Stock		Additional	Common	Accumulated	Stockholders'
	Shares	Amount	Paid-In Capital	Stock Issuable	Deficit	Equity (Deficit)
Balance as of March 31, 2020	17,870,261	\$ 17,870	\$ 10,505,592	\$ 923,994	\$ (8,569,034)	\$ 2,878,422
Private placement of common stock	729,897	730	2,041,898	(923,994)	—	1,118,634
Stock-based compensation	—	—	344,716	—	—	344,716
Net loss	—	—	—	—	(1,874,157)	(1,874,157)
Balance as of June 30, 2020	18,600,158	\$ 18,600	\$ 12,892,206	\$ —	\$ (10,443,191)	\$ 2,467,615
Stock-based compensation	—	—	300,604	—	—	300,604
Net loss	—	—	—	—	(1,860,729)	(1,860,729)
Balance as of September 30, 2020	18,600,158	\$ 18,600	\$ 13,192,810	\$ —	\$ (12,303,920)	\$ 907,490
Private placement of common stock	232,490	232	667,016	—	—	667,248
Stock-based compensation	—	—	295,054	—	—	295,054
Net loss	—	—	—	—	(1,870,545)	(1,870,545)
Balance as of December 31, 2020	<u>18,832,648</u>	<u>18,832</u>	<u>14,154,880</u>	<u>—</u>	<u>(14,174,465)</u>	<u>(753)</u>

	Common Stock		Additional	Common	Accumulated	Stockholders'
	Shares	Amount	Paid-In Capital	Stock Issuable	Deficit	Equity
Balance as of March 31, 2019	17,840,261	\$ 17,840	\$ 9,684,578	\$ 19,800	\$ (3,248,161)	\$ 6,474,057
Shares issued for services	30,000	30	19,770	(19,800)	—	—
Stock-based compensation	—	—	194,428	—	—	194,428
Net loss	—	—	—	—	(1,122,198)	(1,122,198)
Balance as of June 30, 2019	17,870,261	\$ 17,870	\$ 9,898,776	\$ —	\$ (4,370,359)	\$ 5,546,287
Stock-based compensation	—	—	156,355	—	—	156,355
Net loss	—	—	—	—	(1,147,566)	(1,147,566)
Balance as of September 30, 2019	17,870,261	\$ 17,870	\$ 10,055,131	\$ —	\$ (5,517,925)	\$ 4,555,076
Stock-based compensation	—	—	186,745	—	—	186,745
Net loss	—	—	—	—	(1,133,517)	(1,133,517)
Balance as of December 31, 2019	<u>17,870,261</u>	<u>17,870</u>	<u>10,241,876</u>	<u>—</u>	<u>(6,651,442)</u>	<u>3,608,304</u>

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

Modular Medical, Inc.
(f/k/a- Bear Lake Recreation, Inc.)
Condensed Consolidated Statements of Cash Flows
(Unaudited)

	Nine Months Ended December 31,	
	2020	2019
Net loss	\$ (5,605,431)	\$ (3,403,281)
Adjustments to reconcile net loss to net cash used in operating activities:		
Stock-based compensation	940,374	537,528
Depreciation and amortization	82,016	23,840
Amortization of lease right-to-use asset	52,994	—
Change in lease liability	67,092	—
Changes in assets and liabilities:		
Other assets and prepaid expenses	15,964	(34,257)
Security deposit	—	3,394
Accounts payable and accrued expenses	(123,722)	95,778
Net cash used in operating activities	(4,570,713)	(2,776,998)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(109,541)	(58,278)
Net cash used in investing activities	(109,541)	(58,278)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from private placement, net of issuance costs	1,785,882	—
Proceeds from issuance of PPP note payable	368,780	—
Net cash provided by financing activities	2,154,662	—
Net decrease in cash and cash equivalents	(2,525,592)	(2,835,276)
Cash and cash equivalents at beginning of period	3,122,134	6,553,768
Cash and cash equivalents at end of period	\$ 596,542	\$ 3,718,492

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

MODULAR MEDICAL, INC.
F/K/A BEAR LAKE RECREATION, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

NOTE 1 – THE COMPANY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Modular Medical, Inc. (the Company) was incorporated in Nevada in October 1998 under the name Bear Lake Recreation, Inc. The Company had no material business operations from 2002 until approximately 2017, when it acquired all of the issued and outstanding shares of Quasuras, Inc. (Quasuras), a Delaware corporation. As the major shareholder of Quasuras retained control of both the Company and Quasuras, the share exchange was accounted for as a reverse merger. As such, the Company recognized the assets and liabilities of Quasuras acquired in the reverse merger at their historical carrying amounts. Prior to the acquisition of Quasuras and since at least 2002, the Company was a shell company, as defined in Rule 12b-2 promulgated under the Securities Exchange Act of 1934 (the Exchange Act). In June 2017, the Company changed its name from Bear Lake Recreation, Inc. to Modular Medical, Inc.

The Company is a development-stage medical device company focused on the design, development and eventual commercialization of an innovative insulin pump to address shortcomings and problems represented by the relatively limited adoption of currently available pumps for insulin-dependent people with diabetes. The Company has developed a hardware technology allowing people with insulin-dependent diabetes to receive their daily insulin in two ways, through a continuous “basal” delivery allowing a small amount of insulin to be in the blood at all times and a “bolus” delivery to address meal time glucose input and to address when the blood glucose level becomes excessively high. By addressing the time and effort required to effectively treat their condition, the Company believes it can address the less technically savvy, less motivated part of the market.

Liquidity

Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2014-15, *Going Concern*, requires management to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the entity’s ability to continue as a going concern within one year after the date that the financial statements are issued. If management identifies conditions or events that raise substantial doubt about an entity’s ability to continue as a going concern, management must consider if there are plans that are probable to be implemented, and whether it is probable that the plans will mitigate the conditions or events raising the substantial doubt about the entity’s ability to continue as a going concern. If the substantial doubt is not alleviated after consideration of management’s plans, the entity must include a statement in the notes to the financial statements indicating that there is substantial doubt about the entity’s ability to continue as a going concern within one year after the date that the financial statements are issued including: 1) the principal conditions or events that raise substantial doubt about the entity’s ability to continue as a going concern, 2) management’s evaluation of the significance of those conditions or events in relation to the entity’s ability to meet its obligations, and 3) management’s plans to attempt to mitigate the conditions or events causing the substantial doubt about the entity’s ability to continue as a going concern.

The Company expects to continue to incur operating losses for the foreseeable future and incur cash outflows from operations as it continues to invest in the development and subsequent commercialization of its product. The Company expects that its research and development and general and administrative expenses will continue to increase, and, as a result, it will eventually need to generate significant product revenues to achieve profitability. These circumstances raise substantial doubt about the Company’s ability to continue as a going concern within one year after the date that these financial statements are issued. Implementation of the Company’s plans and its ability to continue as a going concern will depend upon the Company’s ability to raise additional capital, through the sale of additional equity or debt securities, to support its future operations. There can be no assurance that such additional capital, whether in the form of debt or equity financing, will be sufficient or available and, if available, that such capital will be offered on terms and conditions acceptable to the Company. As discussed in note 9, in February 2021, the Company issued convertible promissory notes to investors to fund its operations. In addition, during 2020, the Company obtained additional equity financing through a private placement of its common stock (see note 4), and the Company obtained a loan from Silicon Valley Bank in April 2020 (see note 3).

The Company’s operating needs include the planned costs to operate its business, including amounts required to fund working capital and capital expenditures. The Company’s future capital requirements and the adequacy of its available funds will depend on many factors, including the Company’s ability to successfully commercialize its product, competing technological and market developments, and the need to enter into collaborations with other companies or acquire other companies or technologies to enhance or complement its product offering. If the Company is unable to secure additional capital, it may be required to curtail its research and development initiatives and take additional measures to reduce costs in order to conserve its cash. These consolidated financial statements do not include any adjustments that might result from this uncertainty.

Basis of Presentation

The Company's fiscal year ends on March 31 of each calendar year. Each reference to a fiscal year in these notes to the condensed consolidated financial statements refers to the fiscal year ended March 31 of the calendar year indicated (for example, fiscal 2021 refers to the fiscal year ending March 31, 2021). The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Quasuras. All significant intercompany transactions and balances have been eliminated in consolidation.

The accompanying condensed consolidated financial statements of the Company have been prepared without audit. The condensed consolidated balance sheet as of March 31, 2020 has been derived from the audited consolidated financial statements at that date. Certain information and disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States (GAAP) have been condensed or omitted in accordance with these rules and regulations of the Securities and Exchange Commission (SEC). The information in this report should be read in conjunction with the Company's consolidated financial statements and notes thereto included in its most recent annual report on Form 10-K filed with the SEC.

In the opinion of management, the accompanying unaudited condensed consolidated financial statements reflect all adjustments (consisting only of normal recurring adjustments) necessary to summarize fairly the Company's financial position, results of operations and cash flows for the interim periods presented. The operating results for the three months and nine months ended December 31, 2020 are not necessarily indicative of the results that may be expected for the year ending March 31, 2021 or for any other future period.

Use of Estimates

The preparation of the accompanying consolidated financial statements in conformity with 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 amount of revenues and expenses during the reporting period. Estimates may include those pertaining to accruals, stock-based compensation and income taxes. Actual results could differ from those estimates.

Reportable Segment

The Company operates in one business segment and uses one measurement of profitability for its business.

Research and Development

The Company expenses research and development expenditures as incurred.

General and Administrative

General and administrative expenses consist primarily of payroll and benefit costs, rent, stock-based compensation, legal and accounting fees, and office and other administrative expenses.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentration of credit risk consist primarily of cash. The Company maintains its cash balances at high-quality financial institutions within the United States, which are insured by the Federal Deposit Insurance Corporation up to limits of approximately \$250,000. No reserve has been made in the financial statements for any possible loss due to financial institution failure.

Risks and Uncertainties

The Company is subject to risks from, among other things, competition associated with the industry in general, other risks associated with financing, liquidity requirements, rapidly changing technology and customer requirements, limited operating history and the volatility of public markets.

COVID-19

The global outbreak of the coronavirus disease 2019 (COVID-19) was declared a pandemic by the World Health Organization and a national emergency by the U.S. government in March 2020. This has negatively affected the U.S. and global economy, disrupted global supply chains, significantly restricted travel and transportation, resulted in mandated closures and orders to "shelter-in-place" and created significant disruption of the financial markets. The full extent of the COVID-19 impact on the Company's operational and financial performance will depend on future developments, including the duration and spread of the pandemic and related actions taken by U.S. and foreign government agencies to prevent disease spread, all of which are uncertain, out of the Company's control, and cannot be predicted.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and cash in demand deposits, certificates of deposit and highly liquid debt instruments with original maturities of three months or less.

Property & Equipment

Property and equipment are originally recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally three to seven years. Depreciation is recorded in operating expenses in the condensed consolidated statements of operations. Leasehold improvements and assets acquired through capital leases are amortized over the shorter of their estimated useful life or the lease term, and amortization is recorded in operating expenses in the condensed consolidated statements of operations.

Fair Value of Financial Instruments

The Company measures the fair value of financial instruments using a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

- Level 1 inputs to the valuation methodology are quoted prices for identical assets or liabilities in active markets.
- Level 2 inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3 inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Due to their short-term nature, the carrying values of cash equivalents, accounts payable and accrued expenses approximate fair value.

Per-Share Amounts

Basic net loss per share is computed by dividing loss for the period by the weighted-average number of shares of common stock outstanding during the period. Diluted net loss per share gives effect to all potentially dilutive common shares outstanding during the period. For the nine months ended December 31, 2020 and 2019, outstanding options to purchase 3,512,588 and 2,526,443 shares of common stock, respectively, were excluded from the calculation of diluted net loss per share because their effect would be anti-dilutive.

Reclassification

Certain prior year amounts have been reclassified for consistency with the current period presentation. These reclassifications had no effect on the reported results of operations or cash flows.

Comprehensive Loss

Comprehensive loss represents the changes in equity of an enterprise, other than those resulting from stockholder transactions. Accordingly, comprehensive loss may include certain changes in equity that are excluded from net loss. For the three and nine months ended December 31, 2020 and 2019, the Company's comprehensive loss was the same as its net loss.

NOTE 2 – LEASES

Effective April 1, 2019, the Company adopted ASU No. 2016-02, *Leases* (ASC 842), and related ASUs, as amended, using the alternative transition method, which allowed the Company to initially apply the new lease standard at the adoption date (the "effective date method"). In January 2020, the Company executed a lease for a new, larger corporate facility in San Diego, California and paid a \$100,000 security deposit. The 39-month lease term commenced April 1, 2020, and the lease provides for an initial monthly rent of approximately \$12,400 with annual rent increases of approximately 3%. In addition to the minimum lease payments, the Company is responsible for property taxes, insurance and certain other operating costs. The right-to-use asset and corresponding liability for the facility lease have been measured at the present value of the future minimum lease payments. A discount rate of 11%, which approximated the Company's incremental borrowing rate, was used to measure the lease asset and liability. Lease expense is recognized on a straight line basis over the lease term.

The Company obtained a right-of-use asset of \$270,950 in exchange for its obligations under the operating lease. The landlord also provided a lease incentive of approximately \$139,000, which was paid to the Company in June 2020, for the Company to make improvements to the leased space.

Future minimum payments under the facility operating lease, as of December 31, 2020, are listed in the table below.

Annual Fiscal Years	Operating lease
2021	\$ 37,239
2022	153,432
2023	158,028
2024	40,692
Less:	
Imputed interest	(51,349)
Present value of lease liabilities	<u>\$ 338,042</u>

Cash paid for amounts included in the measurement of lease liabilities was \$86,891 for the nine months ended December 31, 2020. Rent expense was \$26,884 and \$7,500 for the three months ended December 31, 2020 and 2019, respectively, and \$80,654 and \$25,500 for the nine months ended December 31, 2020 and 2019, respectively.

NOTE 3 – NOTE PAYABLE

On April 24, 2020, the Company received a \$368,780 unsecured loan (the PPP Note) under the Paycheck Protection Program (the PPP), which was established under the U.S. government's Coronavirus Aid, Relief, and Economic Security Act. The PPP Note to the Company was made through Silicon Valley Bank (the Lender), and the Company entered into a U.S. Small Business Administration (SBA) Paycheck Protection Program Note (the Agreement) with the Lender evidencing the PPP Note.

The full amount of the PPP Note is due in April 2022. Interest accrues on the outstanding principal balance of the PPP Note at a fixed rate of 1.0% per annum. Monthly payments will be due and payable beginning in September 2021 and continue each month thereafter until maturity of the PPP Note. The Company may prepay principal of the PPP Note at any time in any amount without penalty. The Agreement contains customary events of default relating to, among other things, payment defaults, breach of representations and warranties or provisions of the PPP Note. The occurrence of an event of default may result in the repayment of all amounts outstanding, collection of all amounts owing from the Company, and/or filing suit and obtaining judgment against the Company.

In October 2020, the Company applied to the Lender for forgiveness of the PPP Note, and the Lender submitted the Company's forgiveness application to the SBA to be processed. No assurance is provided that the Company will obtain forgiveness of the PPP Note in whole or in part.

NOTE 4 – STOCKHOLDERS' EQUITY (DEFICIT)

Private Placement

In March 2020, the Company initiated a private placement of shares of its common stock (the 2020 Placement). As of December 31, 2020, the Company had sold 962,387 shares of common stock, at a purchase price of \$2.87 per share, for gross proceeds of \$2,762,054. Under the terms of the common stock purchase agreements between the Company and the investors, the Company must use commercially reasonable efforts to file a registration statement with the SEC within 90 days of the closing of the 2020 Placement to register for resale the shares of common stock sold.

NOTE 5 – STOCK-BASED COMPENSATION

2017 Equity Incentive Plan

In October 2017, the Company's board of directors (the Board) approved the 2017 Equity Incentive Plan (the Plan) with 3,000,000 shares of common stock reserved for issuance. In January 2020, the Board approved an increase in the number of shares reserved for issuance under the Plan by 1,000,000 shares. Under the Plan, eligible employees, directors and consultants may be granted a broad range of awards, including stock options, stock appreciation rights, restricted stock, performance-based awards and restricted stock units. The Plan is administered by the Board or, in the alternative, a committee designated by the Board.

Stock-Based Compensation Expense

The expense relating to stock options is recognized on a straight-line basis over the requisite service period, usually the vesting period, based on the grant date fair value. The unamortized compensation cost at December 31, 2020, was \$2,354,079 related to stock options and is expected to be recognized as expense over a weighted-average period of approximately 2.06 years.

During the nine months ended December 31, 2020, the Company granted options to purchase 355,476 shares of its common stock to employees, directors and consultants. The options had 10-year terms, and 10,476 options vested immediately when granted. The fair value of the options was determined to be \$825,838 of which \$223,878 was recorded as stock-based compensation expense and included in the condensed consolidated statement of operations for the nine months ended December 31, 2020.

The following assumptions were used in the fair value method calculations:

	Three Months Ended		Nine Months Ended	
	December 31,		December 31,	
	2020	2019	2020	2019
Risk-free interest rates	.38%	1.51% - 1.69%	.28% - .38%	1.34% - 2.41%
Volatility	87%	87% - 96%	87% - 127%	87% - 102%
Expected life (years)	5.2 - 5.7	5.0 - 6.0	5.0 - 6.0	5.0 - 6.0
Dividend yield	—	—	—	—

The fair values of options at the grant date were estimated utilizing the Black-Scholes valuation model, which includes simplified methods to establish the fair term of options as well as average volatility of three comparable organizations. The risk-free interest rate was derived from the Daily Treasury Yield Curve Rates, as published by the U.S. Department of the Treasury as of the grant date for terms equal to the expected terms of the options. A dividend yield of zero was applied because the Company has never paid dividends and has no intention to pay dividends in the foreseeable future. In accordance with ASU No. 2016-09, the Company accounts for forfeitures as they occur.

A summary of stock option activity under the Plan is presented below:

	Shares Available for Grant	Options Outstanding	
		Number of Shares	Weighted Average Exercise Prices
Balance at March 31, 2020	822,055	3,177,945	\$ 1.58
Options granted	(230,476)	230,476	2.88
Options cancelled and returned to the Plan	833	(833)	2.25
Balance at June 30, 2020	592,412	3,407,588	1.67
Options granted	(72,500)	72,500	2.87
Balance at September 30, 2020	519,912	3,480,088	1.70
Options granted	(52,500)	52,500	2.87
Options cancelled and returned to the Plan	20,000	(20,000)	2.25
Balance at December 31, 2020	487,412	3,512,588	1.71

There were no stock options exercised during the nine months ended December 31, 2020 and 2019.

The following table summarizes the range of outstanding and exercisable options at December 31, 2020:

Range of Exercise Price	Options Outstanding			Options Exercisable		
	Number Outstanding	Weighted Average Remaining Contractual Life (in Years)	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price	Aggregate Intrinsic value
\$0.66 - \$3.16	3,512,588	8.44	\$ 1.71	1,927,052	\$ 1.16	\$ 4,036,117

The intrinsic value per share is calculated as the excess of the closing price of the common stock on the Company's principal trading market over the exercise price of the option at December 31, 2020. The Company's common stock has minimal trading volume, and the closing price is not necessarily representative of the fair value.

The Company is required to present the tax benefits resulting from tax deductions in excess of the compensation cost recognized from the exercise of stock options as financing cash flows in the consolidated statements of cash flows. For the nine months ended December 30, 2020 and 2019, there were no such tax benefits associated with the exercise of stock options.

NOTE 6 – INCOME TAXES

The Company determines deferred tax assets and liabilities based upon the differences between the financial statement and tax bases of the Company's assets and liabilities using tax rates in effect for the year in which the Company expects the differences to affect taxable income. A valuation allowance is established for any deferred tax assets for which it is more likely than not that all or a portion of the deferred tax assets will not be realized. Based on the available information and other factors, management believes it is more likely than not that its federal and state net deferred tax assets will not be fully realized, and the Company has recorded a full valuation allowance.

The Company files U.S. federal and state income tax returns in jurisdictions with varying statutes of limitations. All tax returns from 2016 to 2019 may be subject to examination by the U.S. federal and state tax authorities. As of December 31, 2020, the Company has not recorded any liability for unrecognized tax benefits related to uncertain tax positions.

NOTE 7 – RELATED PARTY TRANSACTION

During fiscal 2020, the Company entered into consulting agreements with a member of its board of directors. The most recent consulting agreement was terminated in March 2020. At December 31, 2020, the Company had an outstanding payable to the director of \$5,585, which was included in accounts payable in the condensed consolidated balance sheet.

NOTE 8 – COMMITMENTS AND CONTINGENCIES

Litigations, Claims and Assessments

In the normal course of business, the Company may be involved in legal proceedings, claims and assessments arising in the ordinary course of business. The Company records legal costs associated with loss contingencies as incurred and accrues for all probable and estimable settlements.

Indemnification

In the ordinary course of business, the Company enters into contractual arrangements under which it may agree to indemnify the counterparties from any losses incurred relating to breach of representations and warranties, failure to perform certain covenants, or claims and losses arising from certain events as outlined within the particular contract, which may include, for example, losses arising from litigation or claims relating to past performance. Such indemnification clauses may not be subject to maximum loss clauses. The Company has also entered into indemnification agreements with its officers and directors. No amounts were reflected in the Company's consolidated financial statements for the nine months ended December 31, 2020 and 2019 related to these indemnifications. The Company has not estimated the maximum potential amount of indemnification liability under these agreements due to the limited history of prior claims and the unique facts and circumstances applicable to each particular agreement. To date, the Company has not made any payments related to these indemnification agreements, and no claims for payment have been made under such agreements.

NOTE 9 – SUBSEQUENT EVENT

On February 8, 2021, the Company sold \$1,100,000 of convertible promissory notes (the Notes) in a private placement transaction effected pursuant to an exemption from the registration requirements under the Securities Act of 1933, as amended. The Notes bear interest at an annual rate of 12%, and interest is accrued or payable monthly in cash. The Notes mature on September 30, 2021 (the Maturity Date) and may not be prepaid prior to the Maturity Date.

The aggregate principal amount of the Notes plus accrued but unpaid interest thereon shall automatically convert upon the closing of an offering of the Company's equity securities to investors or a strategic corporate investor resulting in aggregate gross proceeds to the Company of at least \$5,000,000 (excluding conversion of the Notes or other convertible securities issued for capital raising purposes) (a Qualified Financing). In the event of a Qualified Financing, all such outstanding principal and accrued interest shall convert into the same equity securities purchased by and on the same terms and conditions as the other investors in such Qualified Financing at a conversion price equal to 80% (a 20% discount) of the lowest price paid per unit or share by investors in the Qualified Financing. In the event that additional bridge financing is obtained by the Company, the Notes shall convert into the same securities and on the same terms and conditions as the other investors therein and all such purchases will be treated as one, single round of financing going forward.

At any time on or following the Maturity Date, the holders of the Notes may demand repayment of the Notes, and the Company shall repay the outstanding aggregate principal amount plus accrued but unpaid interest thereon. The holders of the Notes, however, retain the right for 30 days after the Maturity Date to convert all or part of the aggregate principal amount plus accrued but unpaid interest on the Notes into the Company's common stock at the conversion price of \$2.87 per share or at a 20% discount to any financing consummated during the 30-day period following the Maturity Date.

If a Qualified Financing has not occurred immediately prior to the consummation of a Change of Control (as defined below), the Note holders shall have the option of either (i) converting all or any portion of the aggregate principal amount of the Notes plus accrued but unpaid interest thereon into common stock of the Company at a conversion price equal to \$2.87 per share or (ii) having the Company repay the aggregate principal amount of the Notes and accrued but unpaid interest. The term "Change of Control" means (i) a consolidation or merger of the Company with or into any other corporation or other entity or person, or any other corporate reorganization, other than any such consolidation, merger or reorganization in which the shares of capital stock of the Company immediately prior to such consolidation, merger or reorganization continue to represent a majority of the voting power of the surviving entity immediately after such consolidation, merger or reorganization; (ii) any transaction or series of related transactions to which the Company is a party in which in excess of 50% of the Company's voting power is transferred; (iii) the sale or transfer of all or substantially all of the Company's assets, or the exclusive license of all or substantially all of the Company's material intellectual property; or (iv) the dissolution and winding up of the Company.

The Company's chairman and chief executive officer and an existing investor, which is represented by a member of the Company's board of directors, purchased the \$1,100,000 aggregate principal amount of the Notes. The private placement of the Notes was approved by the Company's disinterested directors.

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

This Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with the accompanying condensed consolidated financial statements and notes included in this Quarterly Report on Form 10-Q (this Report). This Report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, which include, without limitation, statements about the market for our proposed product, strategy, competition, expected financial performance, capital position and capital raising efforts, and other aspects of our business identified in our most recent Annual Report on Form 10-K for the year ended March 31, 2020 (the 2020 10-K) filed with the Securities and Exchange Commission on June 29, 2020 and in other reports that we file from time to time with the Securities and Exchange Commission. Any statements about, among other items, our business, financial results, financial condition and operations contained in this Report that are not statements of historical fact may be deemed to be forward-looking statements. Without limiting the foregoing, the words "believes," "anticipates," "expects," "intends," "plans," "projects," or similar expressions are intended to identify forward-looking statements. Our actual results could differ materially from those expressed or implied by these forward-looking statements as a result of various factors, including the risk factors described under Item 1A of our 2020 10-K. These forward-looking statements represent our intentions, plans, expectations, assumptions and beliefs about future events and are subject to risks, uncertainties and other factors including, without limitation, the direct and indirect effects of COVID-19, and related issues that may arise therefrom and/or be related thereto. Many of those factors are outside of our control and could cause actual results to differ materially from those expressed or implied by those forward-looking statements. In light of these risks, uncertainties and assumptions, the events described in the forward-looking statements might not occur or might occur to a different extent or at a different time than we have described. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this Report. All subsequent written and oral forward-looking statements concerning other matters addressed in this Report and attributable to us or any person acting on our behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this Report. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events, a change in events, conditions, circumstances or assumptions underlying such statements, or otherwise.

Our fiscal year ends on March 31 of each calendar year. Each reference to a fiscal year in this Report, refers to the fiscal year ended March 31 of the calendar year indicated (for example, fiscal 2021 refers to the fiscal year ending March 31, 2021). Unless the context requires otherwise, references to "we," "us," "our," and the "Company" refer to Modular Medical, Inc. and its consolidated subsidiary.

Company Overview

We are a development-stage medical device company focused on the design, development and eventual commercialization of an innovative insulin pump to address shortcomings and problems represented by the relatively limited adoption of currently available pumps for insulin dependent people with diabetes. We have developed a hardware technology allowing people with insulin-dependent diabetes to receive their daily insulin in two ways, through a continuous "basal" delivery allowing a small amount of insulin to be in the blood at all times and a "bolus" delivery to address meal time glucose input and to address when the blood glucose level becomes excessively high. By addressing the substantial time and effort required by them to effectively treat their condition, we believe we can address the less technically savvy, less motivated part of the market, which we believe is underserved.

We have substantially completed development of, but have not yet obtained U.S. Food and Drug Administration, or FDA, clearance for, our insulin pump, and we have therefore not generated any revenues from product sales. Our net losses were approximately \$5.6 million and \$5.3 million for the nine months ended December 31, 2020 and year ended March 31, 2020, respectively. As of December 31, 2020, we had a negative working capital of approximately \$0.2 million and an accumulated deficit of approximately \$14.2 million.

Historically, we have financed our operations principally through private placements of our common stock. Based on our current operating plan, substantial doubt about our ability to continue as a going concern for a period of at least one year from the date that the financial statements included in Item 1 of this Report are issued exists. Our ability to continue as a going concern depends on our ability to raise additional capital, through the sale of equity or debt securities, to support our future operations. If we are unable to secure additional capital, we will be required to curtail our research and development initiatives and take additional measures to reduce costs. We have provided additional disclosure in Note 1 of the notes to the condensed consolidated financial statements and under *Liquidity and Capital Resources* below.

Impacts of COVID-19

The global outbreak of COVID-19 was declared a pandemic by the World Health Organization and a national emergency by the U.S. government in March 2020. This has negatively affected the U.S. and global economy, disrupted global supply chains, significantly restricted travel and transportation, resulted in mandated closures and orders to “shelter-in-place” and created significant disruption of the financial markets. The full extent of the COVID-19 impact on our operational and financial performance will depend on future developments, including, without limitation, the duration and spread of the pandemic and related actions taken by U.S. and foreign government agencies to prevent disease spread, all of which are uncertain, out of our control, and cannot be predicted.

In March 2020, San Diego County in California, where we are based, and the state of California issued “shelter-in-place” orders (the Orders). We have been complying with the Orders and have minimized business activities at our San Diego facility. We have implemented a teleworking policy for our employees and contractors to minimize on-site activity at our facility. We have experienced longer lead times for certain components used to manufacture initial quantities of our products for our product-approval submission to the FDA, which is expected to occur in the first half of calendar year 2021. In addition, our teleworking policy, which was required to comply with the Orders, has required us to minimize the number of our employees and contractors that are working on site at our facility at any one time. We have implemented a COVID-19 policy and related protocols and procedures, which are based on guidance from the U.S. government’s Centers for Disease Control and Prevention and San Diego County, to address the health and safety of our employees and their families.

We remain diligent in continuing to identify and manage risks to our business given the changing uncertainties related to COVID-19. While we believe that our operations personnel are currently in a position to build an adequate supply of products for our FDA submission, we recognize that unpredictable events could create difficulties in the months ahead. We may not be able to address these difficulties in a timely manner, which could delay our submission to the FDA and negatively impact our business, results of operations, financial condition and cash flows. In addition, we could experience delays in obtaining FDA approval for our product, if the FDA does not review our submission in a timely manner, as the FDA may place higher priority on reviewing COVID-19 product-related submissions.

The continued spread of COVID-19 has also led to disruption and volatility in the global capital markets. We have been able to raise additional capital in a private placement that commenced in March 2020 and received a \$368,780 unsecured loan (the PPP Note) under the Paycheck Protection Program (the PPP), which was established under the U.S. government’s Coronavirus Aid, Relief, and Economic Security Act (see discussion below under *Liquidity and Capital Resources*). However, we need to raise additional capital to support our operations. We may be unable to access the capital markets or additional capital may only be available to us on terms that could be significantly detrimental to our existing stockholders and to our business.

For additional information on risks that could impact our future results, please refer to “Risk Factors” in Part II, Item 1A, of this Report.

Critical Accounting Policies and Estimates

The discussion and analysis of our financial condition and results of operations are based upon our condensed consolidated financial statements, which have been prepared in accordance with U.S. GAAP. The preparation of these condensed consolidated financial statements requires us to make certain estimates and judgments that affect the reported amounts of assets, liabilities, and expenses. On an ongoing basis, we make these estimates based on our historical experience and on assumptions that we consider reasonable under the circumstances. Actual results may differ from these estimates and reported results could differ under different assumptions or conditions. Our significant accounting policies and estimates are disclosed in note 1 of the notes to consolidated financial statements in our Annual Report on Form 10-K for the year ended March 31, 2020. As of December 31, 2020, there have been no material changes to our significant accounting policies and estimates.

Results of Operations

Research and Development

	December 31,		Change	
	2020	2019	2019 to 2020	
Research and development – Three months ended	\$ 1,086,669	\$ 608,019	\$ 478,650	78.7%
Research and development – Nine months ended	\$ 3,150,149	\$ 1,945,043	\$ 1,205,106	62.0%

Our research and development expenses include personnel, consulting, tooling and other costs associated with the development of our insulin pump product. We expense research and development costs as they are incurred.

Research and development, or R&D, expenses increased for the three months ended December 31, 2020 primarily due to increased engineering and manufacturing personnel and consulting costs, as we have increased our development and manufacturing activities.

R&D expenses increased for the nine months ended December 31, 2020 primarily due to increased engineering and manufacturing personnel and consulting costs. Our R&D employee headcount increased to 15 at December 31, 2020 from eight at December 31, 2019. R&D expenses included non-cash, stock-based compensation expenses of \$96,127 and \$66,314 for the three months ended December 31, 2020 and 2019, respectively, and \$301,767 and \$317,783 for the nine months ended December 31, 2020 and 2019, respectively. We expect R&D expenses to decrease for the remainder of fiscal 2021, as we intend to closely manage our expenses and reduce certain expenditures.

General and Administrative

	December 31,		Change	
	2020	2019	2019 to 2020	
General and administrative – Three months ended	\$ 783,898	\$ 527,829	\$ 256,069	48.5%
General and administrative – Nine months ended	\$ 2,453,808	\$ 1,486,386	\$ 967,422	65.1%

General and administrative expenses consist primarily of personnel and related overhead costs for facilities, marketing, finance, human resources and general management.

General and administrative, or G&A, expenses, increased for the three and nine months ended December 31, 2020 primarily as a result of increased personnel costs, stock-based compensation expenses and facilities costs, partially offset by reduced consulting and professional services expenses. Our G&A employee headcount increased to four at December 31, 2020 from two at December 31, 2019. G&A expenses included stock-based compensation expenses of \$198,926 and \$120,431 for the three months ended December 31, 2020 and 2019, respectively, and \$638,607 and \$219,745 for the nine months ended December 31, 2020 and 2019, respectively. We expect G&A expenses to decrease for the remainder of fiscal 2021, as we intend to closely manage our expenses and reduce certain expenditures.

Interest Income

	December 31,		Change	
	2020	2019	2019 to 2020	
Interest income – Three months ended	\$ 22	\$ 2,331	\$ (2,309)	(99.1%)
Interest income – Nine months ended	\$ 126	\$ 28,148	\$ (28,022)	(99.6%)

Interest income consists of interest earned on our cash deposits. The decrease in interest income for fiscal 2021 compared with the same periods for fiscal 2020 was primarily attributable to a reduction in interest rates in fiscal 2021 combined with lower average cash balances during fiscal 2021.

Liquidity and Capital Resources

As a development-stage enterprise, we do not currently have revenues to generate cash flows to cover operating expenses. Since our inception, we have incurred operating losses and negative cash flows in each year due to costs incurred in connection with R&D activities and G&A expenses associated with our operations. For the nine months ended December 31, 2020, we incurred a net loss of approximately \$5.6 million. For the years ended March 31, 2020 and 2019, we incurred net losses of approximately \$5.3 million and approximately \$2.5 million, respectively. At December 31, 2020, we had a cash balance of approximately \$0.6 million and an accumulated deficit of approximately \$14.2 million. When considered with our current operating plan, these conditions raise substantial doubt about our ability to continue as a going concern for a period of at least one year from the issuance date of the financial statements included in Item 1 of this Report. Our financial statements do not include adjustments to the amounts and classification of assets and liabilities that may be necessary should we be unable to continue as a going concern. Our ability to continue as a going concern depends on our ability to raise additional capital through the sale of equity or debt securities to support our current and future operations, and we are currently seeking such additional financing. As discussed in the notes to our condensed consolidated financial statements in Item 1 of this Report, during 2020, we obtained additional equity financing through a private placement of our common stock. In addition, we obtained a \$368,780 loan (the PPP Note) from Silicon Valley Bank in April 2020 under the U.S. Small Business Administration Paycheck Protection Program (the PPP). The full amount of the PPP Note is due in April 2022, and interest accrues on the outstanding principal balance of the PPP Note at a fixed rate of 1.0% per annum. Monthly payments will be due and payable beginning in September 2021 and continue each month thereafter until maturity. In October 2020, we applied to have the PPP Note forgiven, as permitted under the terms of the PPP. No assurance is provided that we will obtain forgiveness of the PPP Note in whole or in part, but we believe we have used the proceeds in accordance with the PPP to qualify for forgiveness of the PPP Note. As disclosed in the notes to the condensed consolidated financial statements in Item 1 of this Report, in February 2021, we issued \$1.1 million aggregate principal amount of convertible promissory notes.

Our operating needs include the planned costs to operate our business, including amounts required to fund research and development activities, including those related to our FDA submission and working capital and capital expenditures. Our future capital requirements and the adequacy of our available funds will depend on many factors, including our ability to successfully commercialize our product, competing technological and market developments, and the need to enter into collaborations with other companies or acquire other companies or technologies to enhance or complement our product offering. If we are unable to secure additional capital, we will be required to curtail our research and development initiatives and take additional measures to reduce costs in order to conserve our cash.

For the nine months ended December 31, 2020, we used \$4,570,713 in operating activities, which primarily resulted from our net loss of \$5,605,431 and changes to operating assets and liabilities of \$107,758, as adjusted for stock-based compensation expenses of \$940,374, depreciation and amortization expenses of \$82,016, net changes in lease assets and liabilities of \$120,085. For the nine months ended December 31, 2019, we used \$2,776,998 in operating activities, which primarily resulted from our net loss of \$3,403,281, which was partially offset by changes to operating assets and liabilities of \$64,915, and adjusted for non-cash charges, which included stock-based compensation expenses of \$537,528 and depreciation and amortization expenses of \$23,840.

For the nine months ended December 31, 2020, cash used in investing activities of \$109,541 was due to the purchase of property and equipment. We used \$58,278 of cash to purchase equipment during the nine months ended December 31, 2019.

Cash provided by financing activities of \$2,154,662 for the nine months ended December 31, 2020 was attributable to net proceeds of \$1,785,882 from the sale of shares of our common stock in a private placement that was initiated in March 2020 and \$368,780 in proceeds from the PPP Note. We had no cash flows related to financing activities during the nine months ended December 31, 2019.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Not required.

Item 4. Controls and Procedures

Disclosure Controls and Procedures.

Our management is responsible for establishing and maintaining adequate internal control over our financial reporting. Because of inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

Under the supervision and with the participation of our management, including our Chief Executive Officer, we conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934. Based on this evaluation, our management concluded that, as of December 31, 2020, our disclosure controls and procedures were effective.

Changes in Internal Control over Financial Reporting.

During the nine months ended December 31, 2020, there was no change in our internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 1. Legal Proceedings

None.

Item 1A. Risk Factors

We face many significant risks in our business, some of which are unknown to us and not presently foreseen. These risks could have a material adverse impact on our business, financial condition and results of operations in the future. We disclosed a number of material risks under Item 1A of our Annual Report on Form 10-K for the year ended March 31, 2020, which we filed with the SEC on June 29, 2020.

COVID-19

The global outbreak of COVID-19 was declared a pandemic by the World Health Organization and a national emergency by the U.S. government in March 2020. This has negatively affected the world economy, disrupted global supply chains, significantly restricted travel and transportation, resulted in mandated closures and orders to “shelter-in-place” and created significant disruption of the financial markets. The extent of the impact on our operational and financial performance will depend on future developments, including the duration and spread of the pandemic and related actions taken by U.S. and foreign government agencies to prevent disease spread, all of which are uncertain, out of our control and cannot be predicted.

We have been complying with county and state orders and have implemented a teleworking policy for our employees and contractors and significantly minimized the number of employees who visit our office. However, a facility closure, work slowdowns or temporary stoppage at our facility or at one of our suppliers could occur, which could have a longer-term impact and could delay our product production and delay the submission of our product for approval by the FDA and affect our ability to conduct business.

If our workforce is unable to work effectively, including because of illness, quarantines, absenteeism, government actions, facility closure, travel restrictions or other restrictions in connection with the COVID-19 pandemic, our operations will be negatively impacted. We may be unable to develop our product, and our costs may increase as a result of the COVID-19 outbreak. The impacts could worsen if there is an extended duration of any COVID-19 outbreak or a resurgence of COVID-19 infection in affected regions after they have begun to experience improvement.

We rely on other companies to provide components and to perform services for us. An extended period of supply chain disruption caused by the response to COVID-19 could impact our ability to produce our initial product quantities, and, if we are not able to implement alternatives or other mitigations, product deliveries would be adversely impacted and negatively impact our business, financial condition, operating results and cash flows. Limitations on government operations can also impact regulatory approvals that are necessary for us to operate our business.

The continued spread of COVID-19 has also led to disruption and volatility in the global capital markets. We have been able to raise capital in a private placement that commenced in March 2020, however, we will need to raise additional capital to support our operations in the future. We may be unable to access the capital markets, and additional capital may only be available to us on terms that could be significantly detrimental to our existing stockholders and to our business.

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

Recent Sales of Unregistered Securities

We initiated a private placement for shares of our common stock in March 2020 (the 2020 Placement). Since March 2020, to date, we have sold 962,387 shares of our common stock at a purchase price of \$2.87 per share in the 2020 Placement, which has resulted in gross proceeds to us of approximately \$2.8 million.

In February 2021, we issued \$1.1 million aggregate principal amount of convertible promissory notes.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

On February 8, 2021, we sold \$1,100,000 of convertible promissory notes (the Notes) in a private placement transaction effected pursuant to an exemption from the registration requirements under the Securities Act of 1933, as amended. The Notes bear interest at an annual rate of 12%, and interest is accrued or payable monthly in cash. The Notes mature on September 30, 2021 (the Maturity Date) and may not be prepaid prior to the Maturity Date.

The aggregate principal amount of the Notes plus accrued but unpaid interest thereon shall automatically convert upon the closing of an offering of our equity securities to investors or a strategic corporate investor resulting in aggregate gross proceeds to us of at least \$5,000,000 (excluding conversion of the Notes or other convertible securities issued for capital raising purposes) (a Qualified Financing). In the event of a Qualified Financing, all such outstanding principal and accrued interest shall convert into the same equity securities purchased by and on the same terms and conditions as the other investors in such Qualified Financing at a conversion price equal to 80% (a 20% discount) of the lowest price paid per unit or share by investors in the Qualified Financing. In the event that additional bridge financing is obtained by us, the Notes shall convert into the same securities and on the same terms and conditions as the other investors therein and all such purchases will be treated as one, single round of financing going forward.

At any time on or following the Maturity Date, the holders of the Notes may demand repayment of the Notes, and we shall repay the outstanding aggregate principal amount plus accrued but unpaid interest thereon. The holders of the Notes, however, retain the right for 30 days after the Maturity Date to convert all or part of the aggregate principal amount plus accrued but unpaid interest on the Notes into our common stock at the conversion price of \$2.87 per share or at a 20% discount to any financing consummated during the 30-day period following the Maturity Date.

If a Qualified Financing has not occurred immediately prior to the consummation of a Change of Control (as defined below), the Note holders shall have the option of either (i) converting all or any portion of the aggregate principal amount of the Notes plus accrued but unpaid interest thereon into our common stock at a conversion price equal to \$2.87 per share or (ii) having us repay the aggregate principal amount of the Notes and accrued but unpaid interest. The term "Change of Control" means (i) a consolidation or merger of us with or into any other corporation or other entity or person, or any other corporate reorganization, other than any such consolidation, merger or reorganization in which the shares of our capital stock immediately prior to such consolidation, merger or reorganization continue to represent a majority of the voting power of the surviving entity immediately after such consolidation, merger or reorganization; (ii) any transaction or series of related transactions to which we are a party in which in excess of 50% of our voting power is transferred; (iii) the sale or transfer of all or substantially all of our assets, or the exclusive license of all or substantially all of our material intellectual property; or (iv) the dissolution and winding up of us.

Our chairman and chief executive officer and an existing investor, which is represented by a member of our board of directors, purchased the \$1,100,000 aggregate principal amount of the Notes. The private placement of the Notes was approved by our disinterested directors.

Item 6. Exhibits

Exhibit No.	Description of Document
10.21	Form of Convertible Promissory Note dated February 8, 2021
31.1	Certification of Paul M. DiPerna pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Paul M. DiPerna pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase

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.

MODULAR MEDICAL, INC.

Date: February 12, 2021

By: /s/ Paul M. DiPerna

Paul M. DiPerna

Chairman, Chief Executive Officer, Chief Financial Officer,
Secretary and Treasurer

(principal executive, financial and accounting officer)

THIS NOTE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE SECURITIES LAWS OF ANY STATE AND MAY NOT BE SOLD, TRANSFERRED OR OTHERWISE DISPOSED OF EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT OR EXEMPTION FROM REGISTRATION UNDER THE FOREGOING LAWS. ACCORDINGLY, THIS NOTE AND ANY SECURITIES INTO WHICH IT MAY BE CONVERTED MAY NOT BE SOLD, TRANSFERRED OR OTHERWISE DISPOSED OF WITHOUT (1) AN OPINION OF COUNSEL SATISFACTORY TO THE COMPANY THAT SUCH SALE, TRANSFER OR OTHER DISPOSITION MAY LAWFULLY BE MADE WITHOUT REGISTRATION UNDER THE SECURITIES ACT OF 1933 AND APPLICABLE STATE SECURITIES LAWS OR (2) SUCH REGISTRATION.

CONVERTIBLE PROMISSORY NOTE

MODULAR MEDICAL, INC.

Note Number: Series 0221-

Date of Note: February __, 2021

Principal Amount of Note: \$ _____

For value received, **MODULAR MEDICAL, INC.**, a Nevada corporation (the "**Company**"), promises to pay to the undersigned holder or such party's assigns (the "**Holder**") the principal amount set forth above with interest on the outstanding principal amount at the rate of 12% per annum. Interest shall commence with the date hereof and shall continue on the outstanding principal amount until paid in full or converted. Interest shall be computed on the basis of a year of 365 days for the actual number of days elapsed. All unpaid interest and principal shall be due and payable September 30, 2021 (the "**Maturity Date**") unless converted prior to such date as set forth below.

1. BASIC TERMS.

(a) **Payments.** All payments of interest and principal shall be in lawful money of the United States of America. All payments shall be applied first to accrued interest, and thereafter to principal.

(b) **Prepayment.** The Company may not prepay this Convertible Promissory Note ("Note") prior to the Maturity Date.

2. CONVERSION AND REPAYMENT.

(a) **Conversion upon a Qualified Financing.** In the event that the Company issues and sells shares of its equity securities ("**Equity Securities**") to investors (the "**Investors**") while this Note remains outstanding in an equity financing with total proceeds to the Company of not less than \$5,000,000.00 (excluding the conversion of the Note or other convertible securities issued for capital raising purposes) (a "**Qualified Equity Financing**"), then the outstanding principal amount of this Note and any unpaid accrued interest shall automatically convert in whole without any further action by the Holder into Equity Securities sold in the Qualified Equity Financing at a conversion price equal to the lowest cash price paid per share for Equity Securities by the Investors in the Qualified Equity Financing multiplied by 0.80. The issuance of Equity Securities pursuant to the conversion of this Note shall be upon and subject to the same terms and conditions applicable to Equity Securities sold in the Qualified Financing.

(b) **Optional Conversion at non-Qualified Financing** . In the event the Company consummates, while this Note remains outstanding, an equity financing pursuant to which it sells shares of its Equity Securities in a transaction that does not constitute a Qualified Equity Financing, then each Holder shall have the option to treat such equity financing as a Qualified Equity Financing on the same terms set forth herein. This option shall be available for 5 business days after the completion of any such financing is noticed to the Holder.

(c) **Maturity Date Payment or Conversion** . In the event that this Note remains outstanding on the Maturity Date, then the outstanding principal balance of this Note and any unpaid accrued interest shall, upon the election at least five (5) days prior to the Maturity Date of a majority of holders of the same series as this Note (with each such holder receiving one vote for each \$1.00 of outstanding principal held by such holder) become due and payable as of the Maturity Date; provided, that the Holder of this Note shall have the right for thirty (30) following the Maturity Date to convert all or part of the outstanding principal balance and accrued interest into shares of the Company's common stock, at the conversion price of \$2.87 per share or at a 20% discount to any financing consummated during the 30 day period following the Maturity Date.

(d) **Change of Control** . If the Company consummates a Change of Control (as defined below) while this Note remains outstanding, the Company shall convert the outstanding principal balance of this Note and any unpaid accrued interest, or any portion thereof as determined by the Holder, into shares of the Company's Common Stock at a conversion price equal to \$2.87 per share. For purposes of this Note, a "**Change of Control**" means (i) a consolidation or merger of the Company with or into any other corporation or other entity or person, or any other corporate reorganization, other than any such consolidation, merger or reorganization in which the shares of capital stock of the Company immediately prior to such consolidation, merger or reorganization continue to represent a majority of the voting power of the surviving entity immediately after such consolidation, merger or reorganization; (ii) any transaction or series of related transactions to which the Company is a party in which in excess of 50% of the Company's voting power is transferred; (iii) the sale or transfer of all or substantially all of the Company's assets, or the exclusive license of all or substantially all of the Company's material intellectual property; or (iv) the dissolution and winding up of the Company. The Company shall give the Holder notice of a Change of Control not less than 10 days prior to the anticipated date of consummation of the Change of Control. Any repayment pursuant to this paragraph in connection with a Change of Control shall be subject to any required tax withholdings, and may be made by the Company (or any party to such Change of Control or its agent) following the Change of Control in connection with payment procedures established in connection with such Change of Control.

(e) **Procedure for Conversion** . In connection with any conversion of this Note into Equity Securities, the Holder shall surrender this Note to the Company and deliver to the Company any documentation reasonably required by the Company (including, in the case of a Qualified Equity Financing, all financing documents executed by the Investors in connection with such Qualified Equity Financing). The Company shall not be required to issue or deliver the Equity Securities into which this Note may convert until the Holder has surrendered this Note to the Company and delivered to the Company any such documentation. Upon the conversion of this Note into Equity Securities pursuant to the terms hereof, as to any fraction of a share the Holder would otherwise be entitled to purchase upon conversion, the Company will round up to the next whole share.

(f) **Interest Accrual** . If a Change of Control or Qualified Equity Financing is consummated, all interest on this Note shall be deemed to have stopped accruing as of a date selected by the Company that is up to 10 days prior to the signing of the definitive agreement for the Change of Control or Qualified Equity Financing.

3. REPRESENTATIONS AND WARRANTIES.

(a) **Representations and Warranties of the Company**. The Company hereby represents and warrants to the Holder as of the date the first Note was issued as follows:

(i) **Organization, Good Standing and Qualification**. The Company is a corporation duly organized, validly existing and in good standing under the laws of the State of Nevada. The Company has the requisite corporate power to own and operate its properties and assets and to carry on its business as now conducted and as proposed to be conducted. The Company is duly qualified and is authorized to do business and is in good standing as a foreign corporation in all jurisdictions in which the nature of its activities and of its properties (both owned and leased) makes such qualification necessary, except for those jurisdictions in which failure to do so would not have a material adverse effect on the Company or its business (a "**Material Adverse Effect**").

(ii) **Corporate Power**. The Company has all requisite corporate power to issue this Note and to carry out and perform its obligations under this Note. The Company's Board of Directors (the "**Board**") has approved the issuance of this Note based upon a reasonable belief that the issuance of this Note is appropriate for the Company after reasonable inquiry concerning the Company's financing objectives and financial situation.

(iii) **Authorization**. All corporate action on the part of the Company and the Board necessary for the issuance and delivery of this Note has been taken. This Note constitutes a valid and binding obligation of the Company enforceable in accordance with its terms, subject to laws of general application relating to bankruptcy, insolvency, the relief of debtors and, with respect to rights to indemnity, subject to federal and state securities laws. Any securities issued upon conversion of this Note (the "**Conversion Securities**"), when issued in compliance with the provisions of this Note, will be validly issued, fully paid, nonassessable, free of any liens or encumbrances and issued in compliance with all applicable federal and securities laws.

(iv) **Governmental Consents**. All consents, approvals, orders or authorizations of, or registrations, qualifications, designations, declarations or filings with, any governmental authority required on the part of the Company in connection with issuance of this Note has been obtained.

(v) **Compliance with Laws**. To its knowledge, the Company is not in violation of any applicable statute, rule, regulation, order or restriction of any domestic or foreign government or any instrumentality or agency thereof in respect of the conduct of its business or the ownership of its properties, which violation of which would have a Material Adverse Effect.

(vi) **Compliance with Other Instruments**. The Company is not in violation or default of any term of its certificate of incorporation or bylaws, or of any provision of any mortgage, indenture or contract to which it is a party and by which it is bound or of any judgment, decree, order or writ, other than such violation(s) that would not have a Material Adverse Effect. The execution, delivery and performance of this Note will not result in any such violation or be in conflict with, or constitute, with or without the passage of time and giving of notice, either a default under any such provision, instrument, judgment, decree, order or writ or an event that results in the creation of any lien, charge or encumbrance upon any assets of the Company or the suspension, revocation, impairment, forfeiture, or nonrenewal of any material permit, license, authorization or approval applicable to the Company, its business or operations or any of its assets or properties. Without limiting the foregoing, the Company has obtained all waivers reasonably necessary with respect to any preemptive rights, rights of first refusal or similar rights, including any notice or offering periods provided for as part of any such rights, in order for the Company to consummate the transactions contemplated hereunder without any third party obtaining any rights to cause the Company to offer or issue any securities of the Company as a result of the consummation of the transactions contemplated hereunder.

(vii) **No “Bad Actor” Disqualification.** The Company has exercised reasonable care to determine whether any Company Covered Person (as defined below) is subject to any of the “bad actor” disqualifications described in Rule 506(d)(1)(i) through (viii), as modified by Rules 506(d)(2) and (d)(3), under the Act (“**Disqualification Events**”). To the Company’s knowledge, no Company Covered Person is subject to a Disqualification Event. The Company has complied, to the extent required, with any disclosure obligations under Rule 506(e) under the Act. For purposes of this Note, “**Company Covered Persons**” are those persons specified in Rule 506(d)(1) under the Act; provided, however, that Company Covered Persons do not include (a) any Holder, or (b) any person or entity that is deemed to be an affiliated issuer of the Company solely as a result of the relationship between the Company and any Holder.

(viii) **Offering.** Assuming the accuracy of the representations and warranties of the Holder contained in subsection (b) below, the offer, issue, and sale of this Note and the Conversion Securities (collectively, the “**Securities**”) are and will be exempt from the registration and prospectus delivery requirements of the Act, and have been registered or qualified (or are exempt from registration and qualification) under the registration, permit or qualification requirements of all applicable state securities laws.

(ix) **Use of Proceeds.** The Company shall use the proceeds of this Note solely for the operations of its business, and not for any personal, family or household purpose.

(b) **Representations and Warranties of the Holder.** The Holder hereby represents and warrants to the Company as of the date hereof as follows:

(i) **Purchase for Own Account.** The Holder is acquiring the Securities solely for the Holder’s own account and beneficial interest for investment and not for sale or with a view to distribution of the Securities or any part thereof, has no present intention of selling (in connection with a distribution or otherwise), granting any participation in, or otherwise distributing the same, and does not presently have reason to anticipate a change in such intention.

(ii) **Information and Sophistication.** Without lessening or obviating the representations and warranties of the Company set forth in subsection (a) above, the Holder hereby: (A) acknowledges that the Holder has received all the information the Holder has requested from the Company and the Holder considers necessary or appropriate for deciding whether to acquire the Securities, (B) represents that the Holder has had an opportunity to ask questions and receive answers from the Company regarding the terms and conditions of the offering of the Securities and to obtain any additional information necessary to verify the accuracy of the information given the Holder and (C) further represents that the Holder has such knowledge and experience in financial and business matters that the Holder is capable of evaluating the merits and risk of this investment.

(iii) **Ability to Bear Economic Risk.** The Holder acknowledges that investment in the Securities involves a high degree of risk, and represents that the Holder is able, without materially impairing the Holder’s financial condition, to hold the Securities for an indefinite period of time and to suffer a complete loss of the Holder’s investment.

(iv) **Further Limitations on Disposition.** Without in any way limiting the representations set forth above, the Holder further agrees not to make any disposition of all or any portion of the Securities unless and until:

(1) There is then in effect a registration statement under the Act covering such proposed disposition and such disposition is made in accordance with such registration statement; or

(2) The Holder shall have notified the Company of the proposed disposition and furnished the Company with a detailed statement of the circumstances surrounding the proposed disposition, and if reasonably requested by the Company, the Holder shall have furnished the Company with an opinion of counsel, reasonably satisfactory to the Company, that such disposition will not require registration under the Act or any applicable state securities laws; provided that no such opinion shall be required for dispositions in compliance with Rule 144 under the Act, except in unusual circumstances.

(3) Notwithstanding the provisions of paragraphs (1) and (2) above, no such registration statement or opinion of counsel shall be necessary for a transfer by the Holder to a partner (or retired partner) or member (or retired member) of the Holder in accordance with partnership or limited liability company interests, or transfers by gift, will or intestate succession to any spouse or lineal descendants or ancestors, if all transferees agree in writing to be subject to the terms hereof to the same extent as if they were the Holders hereunder.

(v) **Accredited Investor Status.** The Holder is an "accredited investor" as such term is defined in Rule 501 under the Act.

(vi) **No "Bad Actor" Disqualification.** The Holder represents and warrants that neither (A) the Holder nor (B) any entity that controls the Holder or is under the control of, or under common control with, the Holder, is subject to any Disqualification Event, except for Disqualification Events covered by Rule 506(d)(2)(ii) or (iii) or (d)(3) under the Act and disclosed in writing in reasonable detail to the Company. The Holder represents that the Holder has exercised reasonable care to determine the accuracy of the representation made by the Holder in this paragraph, and agrees to notify the Company if the Holder becomes aware of any fact that makes the representation given by the Holder hereunder inaccurate.

(vii) **Foreign Investors.** If the Holder is not a United States person (as defined by Section 7701(a)(30) of the Internal Revenue Code of 1986, as amended (the "**Code**")), the Holder hereby represents that he, she or it has satisfied itself as to the full observance of the laws of the Holder's jurisdiction in connection with any invitation to subscribe for the Securities or any use of this Note, including (A) the legal requirements within the Holder's jurisdiction for the purchase of the Securities, (B) any foreign exchange restrictions applicable to such purchase, (C) any governmental or other consents that may need to be obtained, and (D) the income tax and other tax consequences, if any, that may be relevant to the purchase, holding, redemption, sale or transfer of the Securities. The Holder's subscription, payment for and continued beneficial ownership of the Securities will not violate any applicable securities or other laws of the Holder's jurisdiction.

(viii) **Forward-Looking Statements.** With respect to any forecasts, projections of results and other forward-looking statements and information provided to the Holder, the Holder acknowledges that such statements were prepared based upon assumptions deemed reasonable by the Company at the time of preparation. There is no assurance that such statements will prove accurate, and the Company has no obligation to update such statements.

4. EVENTS OF DEFAULT.

(a) If there shall be any Event of Default (as defined below) hereunder, at the option and upon the declaration of the Holder and upon written notice to the Company (which election and notice shall not be required in the case of an Event of Default under subsection (ii) or (iii) below), this Note shall accelerate and all principal and unpaid accrued interest shall become due and payable. The occurrence of any one or more of the following shall constitute an "**Event of Default**":

(i) The Company fails to pay timely any of the principal amount due under this Note on the date the same becomes due and payable or any unpaid accrued interest or other amounts due under this Note on the date the same becomes due and payable;

(ii) The Company files any petition or action for relief under any bankruptcy, reorganization, insolvency or moratorium law or any other law for the relief of, or relating to, debtors, now or hereafter in effect, or makes any assignment for the benefit of creditors or takes any corporate action in furtherance of any of the foregoing; or

(iii) An involuntary petition is filed against the Company (unless such petition is dismissed or discharged within 60 days under any bankruptcy statute now or hereafter in effect, or a custodian, receiver, trustee or assignee for the benefit of creditors (or other similar official) is appointed to take possession, custody or control of any property of the Company).

(b) In the event of any Event of Default hereunder, the Company shall pay all reasonable attorneys' fees and court costs incurred by the Holder in enforcing and collecting this Note.

5. MISCELLANEOUS PROVISIONS.

(a) **Waivers.** The Company hereby waives demand, notice, presentment, protest and notice of dishonor.

(b) **Further Assurances.** The Holder agrees and covenants that at any time and from time to time the Holder will promptly execute and deliver to the Company such further instruments and documents and take such further action as the Company may reasonably require in order to carry out the full intent and purpose of this Note and to comply with state or federal securities laws or other regulatory approvals.

(c) **Transfers of Notes.** This Note may be transferred only upon its surrender to the Company for registration of transfer, duly endorsed, or accompanied by a duly executed written instrument of transfer in form satisfactory to the Company. Thereupon, this Note shall be reissued to, and registered in the name of, the transferee, or a new Note for like principal amount and interest shall be issued to, and registered in the name of, the transferee. Interest and principal shall be paid solely to the registered holder of this Note. Such payment shall constitute full discharge of the Company's obligation to pay such interest and principal.

(d) **Amendment and Waiver.** Any term of this Note may be amended or waived with the written consent of the Company and the Holder. In addition, any term of this Note may be amended or waived with the written consent of the Company and the Holder.

(e) **Governing Law.** This Note shall be governed by and construed under the laws of the State of Nevada, as applied to agreements among Nevada residents, made and to be performed entirely within the State of Nevada, without giving effect to conflicts of laws principles.

(f) **Binding Agreement.** The terms and conditions of this Note shall inure to the benefit of and be binding upon the respective successors and assigns of the parties. Nothing in this Note, expressed or implied, is intended to confer upon any third party any rights, remedies, obligations or liabilities under or by reason of this Note, except as expressly provided in this Note.

(g) **Counterparts; Manner of Delivery.** This Note may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Counterparts may be delivered via facsimile, electronic mail (including pdf or any electronic signature complying with the U.S. federal E-SIGN Act of 2000, Uniform Electronic Transactions Act or other applicable law) or other transmission method and any counterpart so delivered shall be deemed to have been duly and validly delivered and be valid and effective for all purposes.

(h) **Titles and Subtitles.** The titles and subtitles used in this Note are used for convenience only and are not to be considered in construing or interpreting this Note.

(i) **Notices.** All notices required or permitted hereunder shall be in writing and shall be deemed effectively given: (i) upon personal delivery to the party to be notified, (ii) when sent by confirmed electronic mail or facsimile if sent during normal business hours of the recipient, if not, then on the next business day, (iii) five days after having been sent by registered or certified mail, return receipt requested, postage prepaid, or (iv) one day after deposit with a nationally recognized overnight courier, specifying next day delivery, with written verification of receipt. All communications to a party shall be sent to the party's address set forth on the signature page hereto or at such other address(es) as such party may designate by 10 days' advance written notice to the other party hereto.

(j) **Expenses.** The Company and the Holder shall each bear its respective expenses and legal fees incurred with respect to the negotiation, execution and delivery of this Note and the transactions contemplated herein.

(k) **Delays or Omissions.** It is agreed that no delay or omission to exercise any right, power or remedy accruing to the Holder, upon any breach or default of the Company under this Note shall impair any such right, power or remedy, nor shall it be construed to be a waiver of any such breach or default, or any acquiescence therein, or of or in any similar breach or default thereafter occurring; nor shall any waiver of any single breach or default be deemed a waiver of any other breach or default theretofore or thereafter occurring. It is further agreed that any waiver, permit, consent or approval of any kind or character by the Holder of any breach or default under this Note, or any waiver by the Holder of any provisions or conditions of this Note, must be in writing and shall be effective only to the extent specifically set forth in writing and that all remedies, either under this Note, or by law or otherwise afforded to the Holder, shall be cumulative and not alternative. This Note shall be void and of no force or effect in the event that the Holder fails to remit the full principal amount to the Company within five calendar days of the date of this Note.

(l) **Entire Agreement.** This Note constitutes the full and entire understanding and agreement between the parties with regard to the subjects hereof, and no party shall be liable or bound to any other party in any manner by any representations, warranties, covenants and agreements except as specifically set forth herein.

(m) **Exculpation among Holders.** The Holder acknowledges that the Holder is not relying on any person, firm or corporation, other than the Company and its officers and Board members, in making its investment or decision to invest in the Company.

(n) **Senior Indebtedness.** The indebtedness evidenced by this Note is subordinated in right of payment to the prior payment in full of any Senior Indebtedness in existence on the date of this Note or hereafter incurred. "**Senior Indebtedness**" shall mean, unless expressly subordinated to or made on a parity with the amounts due under this Note, all amounts due in connection with (i) indebtedness of the Company to banks or other lending institutions regularly engaged in the business of lending money (excluding venture capital, investment banking or similar institutions and their affiliates, which sometimes engage in lending activities but which are primarily engaged in investments in equity securities), and (ii) any such indebtedness or any debentures, notes or other evidence of indebtedness issued in exchange for such Senior Indebtedness, or any indebtedness arising from the satisfaction of such Senior Indebtedness by a guarantor.

(o) **Broker's Fees.** Each party hereto represents and warrants that no agent, broker, investment banker, person or firm acting on behalf of or under the authority of such party hereto is or will be entitled to any broker's or finder's fee or any other commission directly or indirectly in connection with the transactions contemplated herein. Each party hereto further agrees to indemnify each other party for any claims, losses or expenses incurred by such other party as a result of the representation in this subsection being untrue.

[Signature pages follow]

The parties have executed this **CONVERTIBLE PROMISSORY NOTE** as of the date first noted above.

COMPANY:

MODULAR MEDICAL, INC.,
A NEVADA CORPORATION

By:

Paul M. DiPerna, Chief Executive Officer

16772 West Bernardo Drive
San Diego, CA 92127

SIGNATURE PAGE TO
MODULAR MEDICAL, INC.
CONVERTIBLE PROMISSORY NOTE

The parties have executed this **CONVERTIBLE PROMISSORY NOTE** as of the date first noted above.

HOLDER:

Name of Holder: _____

By: _____

Name: _____

Title: _____

E-mail: _____

Address: _____

SIGNATURE PAGE TO
MODULAR MEDICAL, INC.
CONVERTIBLE PROMISSORY NOTE

CERTIFICATION
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Paul M. DiPerna, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Modular Medical, Inc. for the period ended December 31, 2020;
2. Based on 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 on 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(s) 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 control 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;
 - (d) Disclosed in this report any change in the registrant's internal controls 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(s) 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 registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal controls 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.

/s/ Paul M. DiPerna

Date: February 12, 2021

Paul M. DiPerna
Chief Executive Officer, Chief Financial Officer,
Secretary, Treasurer and Director

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Modular Medical, Inc. (the "Company") for the nine months ended December 31, 2020, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Paul M. DiPerna, Chairman, Chief Executive Officer, Chief Financial Officer, Secretary and Treasurer 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:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities and Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and the results of operations of the Company.

By: /s/ Paul M. DiPerna
Paul M. DiPerna
Chairman, Chief Executive Officer, Chief Financial Officer, Secretary
and Treasurer

Date: February 12, 2021

This certification accompanies this Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, or otherwise required, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.
