

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

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2022

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 333-193087

**FOCUS UNIVERSAL INC.**

(Exact name of registrant as specified in its charter)

Nevada

(State or other jurisdiction of  
Incorporation or organization)

46-3355876

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

2311 East Locust Court, Ontario, CA

(Address of principal executive offices)

91761

(Zip Code)

Registrant's telephone number, including area code (626) 272-3883

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$0.001 par value	FCUV	The Nasdaq Stock Market LLC (Nasdaq Global Market)

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

Title of each class  
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes  No

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

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

Large accelerated filer

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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b).

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes  No

As of June 30, 2022, the aggregate market value of shares held by non-affiliates of the registrant (based upon the closing price of such shares on the Nasdaq Global Market on June 30, 2022) was \$495,782,364.14. For purposes of calculating the aggregate market value of shares held by non-affiliates, we have assumed that all outstanding shares are

held by non-affiliates, except for shares held by each of our executive officers, directors and 5% or greater stockholders. In the case of 5% or greater stockholders, we have not deemed such stockholders to be affiliates unless there are facts and circumstances which would indicate that such stockholders exercise any control over our company, or unless they hold 10% or more of our outstanding common stock. These assumptions should not be deemed to constitute an admission that all executive officers, directors and 5% or greater stockholders are, in fact, affiliates of our company, or that there are not other persons who may be deemed to be affiliates of our company. Further information concerning shareholdings of our officers, directors and principal stockholders is included in Part III, Item 12 of this Annual Report on Form 10-K.

The number of shares outstanding of the registrant's common stock, \$0.001 par value, outstanding as of March 22, 2023: 43,229,653.

DOCUMENTS INCORPORATED BY REFERENCE

None.

---

## TABLE OF CONTENTS

	<u>Part I</u>	<u>Page No.</u>
Item 1.	<a href="#">Business</a>	1
Item 1A.	<a href="#">Risk Factors</a>	31
Item 1B.	<a href="#">Unresolved Staff Comments</a>	45
Item 2.	<a href="#">Properties</a>	45
Item 3.	<a href="#">Legal Proceedings</a>	45
Item 4.	<a href="#">Mine Safety Disclosures</a>	45
	<u>Part II</u>	
Item 5.	<a href="#">Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</a>	46
Item 6.	<a href="#">[Reserved]</a>	47
Item 7.	<a href="#">Management’s Discussion and Analysis of Financial Condition and Results of Operations</a>	47
Item 7A.	<a href="#">Quantitative and Qualitative Disclosures About Market Risk</a>	55
Item 8.	<a href="#">Financial Statements and Supplementary Data</a>	F-1
Item 9.	<a href="#">Changes in and Disagreements With Accountants on Accounting and Financial Disclosure</a>	56
Item 9A.	<a href="#">Controls and Procedures</a>	56
Item 9B.	<a href="#">Other Information</a>	57
Item 9C.	<a href="#">Disclosure Regarding Foreign Jurisdictions that Prevent Inspections</a>	57
	<u>Part III</u>	
Item 10.	<a href="#">Directors, Executive Officers and Corporate Governance</a>	58
Item 11.	<a href="#">Executive Compensation</a>	64
Item 12.	<a href="#">Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</a>	67
Item 13.	<a href="#">Certain Relationships and Related Transactions, and Director Independence</a>	67
Item 14.	<a href="#">Principal Accounting Fees and Services</a>	68
	<u>Part IV</u>	
Item 15.	<a href="#">Exhibits, Financial Statement Schedules</a>	69
Item 16.	<a href="#">Form 10-K Summary</a>	69
	<a href="#">Signatures</a>	70

## FOCUS UNIVERSAL INC.

### FORWARD-LOOKING STATEMENTS

This Annual Report contains forward-looking statements. Forward-looking statements are projections of events, revenues, income, future economic performance or management's plans and objectives for our future operations. In some cases, you can identify forward-looking statements by terminology such as "may," "should," "expects," "plans," "anticipates," "believes," "estimates," "predicts," "potential" or "continue" or the negative of these terms or other comparable terminology. These statements are only predictions and involve known and unknown risks, uncertainties and other factors, including, but not limited to, the risks in the section entitled "Risk Factors" and the risks set out below, any of which may cause our or our industry's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. These risks include, by way of example and not in limitation:

- the uncertainty of profitability based upon our history of losses;
- risks related to failure to obtain adequate financing on a timely basis and on acceptable terms;
- risks related to our international operations and currency exchange fluctuations; and
- other risks and uncertainties related to our business plan and business strategy.

This list is not an exhaustive list of the factors that may affect any of our forward-looking statements. These and other factors should be considered carefully, and readers should not place undue reliance on our forward-looking statements. Forward-looking statements are made based on management's beliefs, estimates and opinions on the date the statements are made, and we undertake no obligation to update forward-looking statements if these beliefs, estimates and opinions or other circumstances should change. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance, or achievements. Except as required by applicable law, including the securities laws of the United States, we do not intend to update any of the forward-looking statements to conform these statements to actual results.

Our financial statements are stated in United States dollars (US\$) and are prepared in accordance with United States Generally Accepted Accounting Principles. All references to "common stock" refer to the common shares in our capital stock.

As used in this annual report, the terms "we," "us," "our," the "Company" and "Focus Universal" mean Focus Universal Inc. unless otherwise indicated.

## PART I

### Item 1. BUSINESS

#### Company Background.

Focus Universal Inc. (the “Company,” “we,” “us,” or “our”) is a Nevada corporation. We are based in the city of Ontario, California, and were incorporated in Nevada in 2012. In December of 2013, we filed an S-1 registration statement that went effective on March 14, 2014. From March 14, 2014, through August 30, 2021, our securities traded on the OTCQB Market. From August 31, 2021, through January 27, 2022, our securities traded on the Nasdaq Capital Market. From January 28, 2022, to the present, our securities have traded on the Nasdaq Global Market.

Our company websites are [www.focusuniversal.com](http://www.focusuniversal.com), [www.avxdesign.com](http://www.avxdesign.com), and [www.attechsystems.com](http://www.attechsystems.com). Our website and the information contained therein or connected thereto are not intended to be incorporated into this report.

We have developed five proprietary platform technologies that we believe solve the most fundamental problems plaguing the internet of things (“IoT”) industry by: (1) increasing the overall degree of chip integration capabilities by shifting integration from the component level directly to the device level; (2) creating a faster 5G cellular technology by using ultra-narrowband technology; (3) leveraging ultra-narrowband power line communication (“PLC”) technology; (4) developing a natural integrated programming language (“NIPL”) applied to software development, which generates a user interface through machine auto generation technology; and (5) developing a universal smart instrumentation platform (“USIP”).

#### Index of Key Technical Abbreviated Terms

Abbreviation	Full Term
5G	Fifth Generation Mobile Wireless Telecommunications Network
FSK	Gaussian Frequency Shift Keying
HANs	Home Area Networks
IC	Integrated Chip
IoT	Internet of Things
LTE Networks	Long-Term Evolution Networks
MOS Transistor	Metal-Oxide-Silicon Transistor
PLC	Power Line Communication
UNB	Ultra-narrowband
USIO	Universal Smart Instrumentation Operating System
USIP	Universal Smart Instrumentation Platform

1. Our goal is to increase the overall degree of chip integration capabilities by shifting integration from the component level directly to the device level.

We have developed an innovative and proprietary “device on a chip” (“DoC”) technology, which combines the required electronic circuits of various integrated circuit components onto a single, integrated chip (“IC”) and pushes beyond the limits of current integrated chips. Our DoC technology works as a single component but is capable of handling entire IoT device functions (excluding sensors and architecture-specific components). Our DoC technology includes both the hardware and software, uses less power compared to traditional IoT devices, with better performance, includes smaller overall devices, and offers greater reliability despite decreasing the number of interconnections between components. We believe that incorporating our DoC technology into our product offering, will simplify the manufacturing process, lowering our costs and allowing us to achieve a faster time-to-market, when compared to our competitors’ who only manufacture and sell multi-chip devices. Our planned DoC technology allows devices to achieve interoperability with one another and are interchangeable, both features where traditional IoT devices fall short.

Our research and development suggest that the existing IC integration in IoT devices is mainly focused on hardware-to-hardware integration, not incorporating software solutions. This lack of incorporating software under a common operating system, application software, and extra interface into ICs, limits IC integration to the component level. Software is a critical component in electronics, and the more tightly integrated the software, the better the power and performance. Software also adds an element of flexibility and allows multiple discrete ICs, which in the past were unable to be further integrated into a single IC.

Currently, ICs integration requires the development and manufacture of customized hardware and software. As a result, IC fabrication is too expensive to manufacture on a large scale. IC is ideally designed for products that are intended for mass production to keep manufacturing costs low by producing uniform products using repetitive and standardized processes. Product standardization has become a major bottleneck in device-level IC fabrication because most devices are custom-designed and manufactured.

The Universal Smart Instrumentation Platform (“USIP”) we developed is a standardized, universal hardware and software integration platform that provides a universal common foundation for what we anticipate will be used by thousands of IoT and standalone devices. The electronic design and production start from a 90% completed common foundation, our USIP, instead of the individual components that necessitate the current method of building each standalone instrument from scratch. USIP allows ICs to be integrated from the component level up to the device level, which pushes the frontier of semiconductor technology beyond Moore’s Law. Our USIP also eliminates redundant hardware and software and results in significant cost savings and production efficiency.

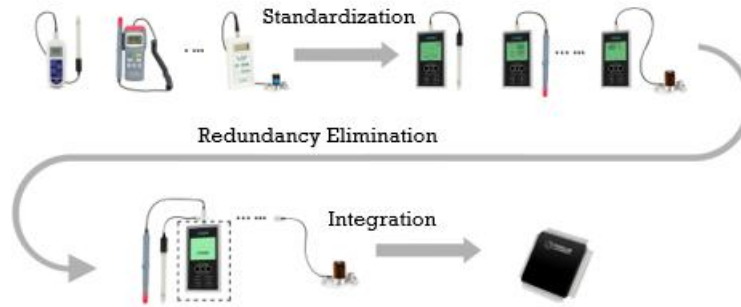


Figure 1. From USIP to device level integrated circuits (“IC”).

## 2. Creating a faster 5G cellular technology by using ultra-narrowband technology.

Fifth generation (“5G”) telecommunications networks will revolutionize the digital economy by enabling new applications that depend on ultra-fast communications on an industrial scale. 5G promises to deliver an improved end-user experience by offering new applications and services through gigabit speeds and significantly improved performance and reliability. 5G will build on the successes of 2G, 3G, and 4G mobile networks, which have transformed society, supporting new services and new business models. 5G provides an opportunity for wireless operators to move beyond providing connectivity services to developing rich solutions and services for consumers and industries across a wide range of sectors at an affordable cost. 5G is an opportunity to implement wired and wireless converged networks and offers opportunities to integrate network management systems. The United States and China are in a race to deploy 5G wireless networks, and the country that gets there first will lead in standard-setting, patents, and the global supply chain. A World Economic Forum report stated that by 2035 5G networks would contribute \$13.2 trillion in economic value globally and generate 22.3 million jobs in the 5G global value chain from direct network investments and residual services<sup>[1]</sup>. 5G networks and their related applications are expected to add three million jobs and \$1.2 trillion to the economy in the U.S. <sup>[2]</sup>

[1] World Economic Forum, January 2020 “The Impact of 5G: Creating New Value across Industries and Society,” available at: [http://www3.weforum.org/docs/WEF\\_The\\_Impact\\_of\\_5G\\_Report.pdf](http://www3.weforum.org/docs/WEF_The_Impact_of_5G_Report.pdf) (last accessed March 6, 2023).

[2] <https://www.marketsandmarkets.com/Market-Reports/power-line-communication-plc-market-912.html> (last accessed on March 6, 2023).

Though 5G offers a significant increase in speed and bandwidth over previous generation telecommunication networks, its more limited range for high-speed internet will require further infrastructure investments. A 5G network requires spectrum across low, mid, and high spectrum bands to deliver widespread coverage and support a wide range of use cases.<sup>[3]</sup> A low-band cell site can cover hundreds of square miles and deliver a downlink data rate in the range of 30-250 Mbps.<sup>[4]</sup> Mid-band frequencies (2.5/3.5Ghz) can also travel long distances but can carry a lot more data than low-band cell sites.<sup>[5]</sup> Mid-band 5G base stations can transmit and receive high-capacity signals over fairly large areas. They can represent an ideal mix of performance—including some networks providing download speeds around 100-900 Mbps—for the bulk of 5G traffic in metropolitan areas.<sup>[6]</sup> High-band 5G uses millimeter-wave (mmWave) frequency bands. Despite receiving plenty of publicity, high-band is a very specialized part of the 5G offering.<sup>[7]</sup> Functioning over a shorter radius, it's particularly useful in urban areas and busy venues like stadiums and shopping malls.<sup>[8]</sup> With the potential to offer data rates of up to 10 Gbps, high-band 5G is already being deployed in several major cities. Download speeds for carriers' high band 5G can sometimes clock in around 450 Mbps, with peak speeds of nearly 1 Gbps, and upload speeds near 50 Mbps.<sup>[9]</sup>



High band, mmWave spectrum is used primarily for urban and dense urban markets. The characteristics of high band, mmWave spectrum is that it is very wide and provides a significant increase in capacity. Because of the greater spectrum width, speed is increased, and transmission latency is reduced. However, the drawback is that high-band spectrum does not propagate over a large coverage area. For example, a 28 GHz mmWave spectrum can only travel 500 feet.<sup>[10]</sup>

Low-band frequencies can travel long distances and penetrate buildings but can only carry a limited amount of data. High-band frequencies can carry a substantial amount of data, but due to their shorter wavelength, they travel shorter distances and are more susceptible to buildings and trees blocking the signal.<sup>[11]</sup>

[3] Horwitz, Jeremy (December 10, 2019). "The definitive guide to 5G low, mid, and high band speeds." VentureBeat online magazine (available at: <https://venturebeat.com/2019/12/10/the-definitive-guide-to-5g-low-mid-and-high-band-speeds/> (Last accessed March 7, 2023)).

[4] Id.

[5] Id.

[6] Id.

[7] See "5G Rollout—Beyond the Hype." Parsons Cyber Blog, June 16, 2020 ("As a result, 5G base stations must be positioned as close as a third of a mile, whereas 4G base stations can provide coverage of 20 to 45 miles. This limitation becomes especially acute in more rural and/or remote areas, wherein 5G networks become impractical") (available at: <https://www.parsons.com/2020/06/5g-rollout-beyond-the-hype/> (last accessed, March 7, 2023)).

[8] Id.

[9] <https://www.t-mobile.com/business/resources/articles/benefits-of-the-5g-spectrum-for-businesses> (last accessed March 7, 2023).

[10] <https://dgtlinfra.com/american-tower-5g-deployed-in-layers-different-spectrum-bands/> (last accessed March 7, 2023).

[11] <https://www.md7.com/perspectives/infrastructure-challenges-of-5g-frequency/> (last accessed March 7, 2023).

Unlike 4G LTE, which operates on established frequency bands below 6GHz, 5G requires frequencies up to 300GHz. Wireless carriers still need to bid for the costly higher spectrum bands, as they build and roll out their respective 5G networks. Adding the hardware required for 5G networks can significantly increase operating expenses. Building 5G networks is expensive. According to THALES, total global spending on 5G is set to reach \$620 billion by 2025.<sup>[12]</sup>

A typical 5G base station consumes up to twice or more the power of a 4G base station. Energy costs can grow even more at higher frequencies due to a need for more antennas and a denser layer of small cells. Edge computing facilities needed to support local processing and new internet of things (IoT) services will also add to overall network power usage.

Our ultra-narrowband wireless communication 5G+ technology aims to achieve **both** low band 5G coverage and 1 Gbps high-band speed because we employ an ultra-narrow spectrum channel (<1KHz) to establish an ultra-long-distance link between the 5G base station and the receiver. The ultra-narrowband modulation was initially conceived in 1985 by Dr. Harold R. Walker as a method to be used with 'frequency modulation (FM) Sub-Carriers' (as opposed to "FM Supplementary Carriers" or "In Band On Channel" Carriers). In its original form, data rates as high as 196 kb/s were obtained from a subcarrier at 98 kHz, and bandwidth spectral efficiencies as high as 15 bits/sec/Hz were achieved. A pulse width modulation baseband encoding method called the "Slip Code" was used. That method, which was a baseband method, was limited in data rate and required excessive filtering, which precluded it from being a practical ultra-narrowband method.

Ultra-narrowband ("UNB") technology employs an ultra-narrow spectrum channel (<1KHz) to establish an ultra-long-distance link between transmitter and receiver. UNB allows for long-range coverage, making it an optimal low-power wide-area network technique for industrial IoT systems. Additionally, its ultra-high power spectral density creates endurance against interference and jamming, which enables the friendly coexistence of UNB on shared frequency bands. The narrower the bandwidth, the fewer occurrences of noise and interference entering the bandwidth. In addition, UNB's transmission of energy concentrates on ultra-narrowband width, resulting in a very high concentration of power in a very narrow frequency band.

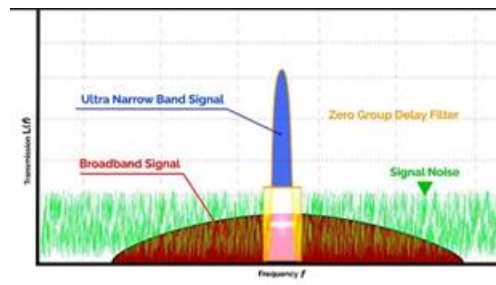


Figure 4. Comparison between Ultra-Narrowband and Broadband

Many traditional modulation approaches require allowance for upper and lower sidebands throughout the carrier frequency. UNB modulation is a modified approach for data transmission without sidebands. UNB is extremely robust in an environment with other signals, including spread spectrum signals. However, spread spectrum networks are affected by UNB signals.

[12] THALES, Dec 29, 2022, A 5G PROGRESS REPORT: LAUNCHES, SUBSCRIBERS, DEVICES & MORE, <https://www.thalesgroup.com/en/worldwide/digital-identity-and-security/magazine/5g-progress-report-launches-subscribers-devices>, (last accessed March 7, 2023)



UNB modulation utilizes a coded baseband with abrupt edges. Any bandpass filter used at the transmitter for ultra-narrowband modulation must exhibit zero group delay to pass the instantaneous phase changes. However, it may lack the bandwidth required to pass instantaneous changes in frequency. Conventional filters cannot be used with ultra-narrowband signals, which are dependent upon negative or zero group delay filters.

One important characteristic has restricted widespread adoption of ultra-narrowband modulation, and that is the zero group delay filters, which are complex and must be hand-tuned. Furthermore, zero group delay filters are responsible for restricting data rates to just 196 kb/s from a subcarrier at 98 kHz and bandwidth spectral efficiency to 15 bits/sec/Hz.

We developed an ultra-narrowband technology that offers a potential alternative and/or complementary solution to the broadband technology used in 5G networks and meets the challenging 5G demands. A comparison of our ultra-narrowband technology with 4G and 5G is illustrated in the table below:

<b>Technology</b>	<b>Bandwidth</b>	<b>No. of subcarriers</b>	<b>Operating Frequency</b>	<b>Speed</b>	<b>Spectral</b>
	<b>MHz</b>		<b>GHz</b>	<b>Mbps</b>	<b>Bits/s/Hz</b>
<b>4G</b>	20	1200	6	4-60	6
<b>5G</b>	100	3276	Up to 300	40-1100	10
<b>UNB (finished)</b>	0.001	1	0.004	4	~4000
<b>UNB (in development)</b>	0.001	1	0.064	64-256	>4000

As shown in the table, our internal testing shows that our finished ultra-narrowband technology can achieve speeds of 4 Mbps per second at a bandwidth of less than 1000 Hz. The spectral efficiency of our finished technology has reached 4000 bits/sec/Hz. Development work of our ultra-narrowband technology is underway for speeds of 64 Mbps at a bandwidth of 64 MHz with spectral efficiency of over 4000 bits/sec/Hz.

UNB speeds will increase proportionally if it operates at the higher frequencies used by 4G or 5G networks or adopts multiple subcarriers, equivalent to increasing bandwidth. As a result, we believe that our ultra-narrowband technology can reach 5G speeds and has the potential for much higher speeds. Utilizing the same bandwidth, our internal results show that UNB can save energy of up to 20,000 times when compared to current 4G technology and 100,000 times when compared to current 5G technology. Keeping the same bandwidth and energy consumption, our internal testing results suggest the coverage provided by UNB can increase by two orders of magnitude. UNB breaks through the Shannon Law’s critical limit that current 5G cellular communication is reaching, overcomes the current 5G challenges, and allows cellular communication development beyond 5G.

Despite the excitement surrounding 5G networks, several challenges need to be address before global adoption of 5G technology can occur.

1) Spectrum availability.

5G networks operate on higher bandwidth frequencies reaching up to 300 GHz, which permit data rates capable of delivering ultra-fast speeds measuring as much as 20 times more than those provided by 4G LTE networks. However, the availability and cost of spectrum bands are still an issue for wireless operators. Wireless operators need to bid for these costly higher spectrum bands as they build and deploy their respective 5G networks. On February 24, 2021, the Federal Communications Commission announced the winning bids in Auction 107, the auction of 3.7 GHz service licenses. The winning bids for all 5,684 available licenses totaled over \$81 billion and were concentrated among just 21 bidders.<sup>[13]</sup> Given that Focus Universal operates in the ultra-narrowband spectrum where very limited spectrum is required and public access spectrum is also available, this is potentially less of a concern than pursuing the traditional broadband capacity pathways.

[13] Federal Communications Commissions (February 17, 2021), <https://www.fcc.gov/document/fcc-announces-winning-bidders-37-ghz-service-auction>, (last accessed March 7, 2023)

## 2) Coverage.

Despite 5G networks offering significantly increased speeds, their more limited range will require increased infrastructure investments. 5G requires three to four times the number of base stations to provide the same coverage area as 4G LTE because higher frequencies are more readily absorbed by solid objects than lower frequencies. For example, a signal at 700 MHz provides a coverage area three to four times that of a 2.6 GHz signal. Likewise, we expect UNB coverage to potentially increase coverage over standard 5G broadband pathways.

## 3) Cost.

Building a 5G network is expensive. To do so is not just building a layer on top of an existing 4G network; instead, it is laying the groundwork for something new altogether. The cost of a current 5G base station is approximately three times that of a 4G base station.<sup>[14]</sup>

## 4) Energy consumption.

Two factors relate directly to the increased energy consumption of 5G networks. First, 5G's operating on higher frequency spectrums require greater energy input.<sup>[15]</sup> For example, a typical 5G base station consumes up to twice the power consumed by a 4G base station. Second, to provide the same coverage area as a 4G network, a 5G network requires three to four times the number of base stations. Accordingly, the overall energy consumption of a typical 5G network will be at least six to eight times more than the energy consumption of a 4G network with equivalent coverage. Like the coverage applications, we also expect energy consumption to be potentially significantly less with UNB technologies over the conventional broadband pathways.

## 5G+

We are currently developing 5G+, which we believe is a promising alternative wireless technology that uses our innovative ultra-narrowband (UNB) wireless technology. UNB technology employs an ultra-narrow spectrum channel (<1 kHz) to establish an ultra-long-distance link between transmitter and receiver. Our internal testing suggests that a single 5G+ subcarrier wave has the potential to provide speeds of 64 to 256 Mbps. Moreover, multiple UNB subcarriers may be combined, which effectively increases bandwidth. Given anticipated data rates of 64 Mbps, we believe only 4 to 16 5G+ subcarrier waves would be needed to achieve the current 5G speeds, and just 40 to 160 5G+ subcarrier waves would be needed to achieve 6G speeds. By contrast, 5G technology requires 3,276 subcarrier waves to achieve its current speeds. Fewer subcarriers translate into cost savings because they are more compact and consume less energy. Our goal is to increase the speed of 5G networks while simultaneously reducing the number of subcarriers.

Our internal testing suggests that to achieve speeds of 1 Gbps, our 5G+ technology would only require bandwidths of 4 to 16 kHz, which is narrow enough to be operated in lower frequency spectrums. This would mean that 5G+ providers would not need to purchase the higher frequency spectrums required by 5G technology. Accordingly, a 5G+ provider would realize significant savings from not having to bid for costly higher spectrum band licenses. Operating in relatively lower frequency spectrum bands, when compared to 5G, also means that 5G+ would have a more extensive coverage area than that of 5G, in many cases three to ten times larger. It would also mean that we could reduce the number of subcarriers and reduce the overall costs of the 5G networks infrastructure.

[14] "How much does it cost to build a 5G base station?" Phate Zhang, April 7, 2020, CNTechPost (available at: <https://cnetechpost.com/2020/04/07/how-much-does-it-cost-to-build-a-5g-base-station/> (last accessed March 7, 2023)).

[15] Environmental Health Trust, <https://ehtrust.org/science/reports-on-power-consumption-and-increasing-energy-use-of-wireless-systems-and-digital-ecosystem/>, (last accessed March 7, 2023)

Further, the design of 5G+ infrastructure means that cost savings could be realized as there is the potential of piggybacking the required 5G+ infrastructure on the current 4G infrastructure. Finally, 5G+ only consumes 1/25,000 to 1/6,250 of the energy consumed by 5G. As outlined above, 5G+ has the potential to overcome the challenges presented using higher broadband spectrums required for the implementation of the broadband technology used in 5G.

### 3. Leveraging ultra-narrowband power line communication (“PLC”) technology.

Our patented PLC is an innovative communication technology that enables sending data over existing power cables in the electric grid. Because PLC uses the existing power lines, it does not require substantial new investment for a dedicated wiring infrastructure. Existing power lines already form a distribution network that penetrates every residential, commercial, and industrial property. Given that the power grid is, for the most part, an established ubiquitous network, PLC is potentially the most cost-effective, scalable interconnectivity approach for the backbone communication infrastructure required for the IoT. PLC allows IoT devices to be plugged into power outlets to establish a connection using the existing electrical wiring, permitting data sharing without the substantial investment and inconvenience of running dedicated network cables.

Historically, the primary design goal of the power line network was electric power distribution. The power line network was not originally designed to function as a communication channel. Consequently, while PLC has been around for many years, the harsh electrical noise present on power lines and variations in equipment and standards make communications over the power grid difficult and present several challenges for data transfer. Signals propagating along the power line are subjected to substantial amounts of noise, attenuation, and distortion that make them erratic, with several attributes varying over time. PLC is susceptible to noise from devices linked to the power supply infrastructure, including, for example, fluorescent tube lights, drills, hair dryers, microwave ovens, computers, switch-mode power supply, cellphone chargers, dimmers, refrigerators, televisions, washing machines, and vacuum cleaners. The result is that previous attempts at implementing PLC technology resulted in power companies and internet service providers deciding that the technology is not a viable means of delivering data or broadband internet access. These technological challenges have impeded or even halted progress in PLC technology’s development.

We have successfully developed ultra-narrowband PLC technology that can transfer data through the power grid. According to our internal testing, our ultra-narrowband PLC technology can send and receive data without the customary interference that occurs in standard office and residential environments, achieving speeds of 4 Mbps at a bandwidth of less than 1000 Hz. To test noise interference and disturbance, we utilized six industrial blowers simultaneously when testing, and no significant interference was found. By comparison, a single hair dryer will render our competitors’ legacy PLC technology completely useless. We have completed the development of our 4Mbps PLC modules and the printed circuit board layout. These modules will be used for IoT systems involving over 1,000 sensors.

Our ultra-narrowband PLC technology is a considerably more effective way to transfer data than current in-home and commercial network systems, such as Zigbee and Z-Wave. While Zigbee and Z-Wave will need new infrastructure to be installed, our PLC technology could operate by itself or complement existing wideband communication tools like Wi-Fi, Zigbee, or Z-Wave. Penetrating physical barriers like walls within a single floor or reaching out to different floors in a single building is a challenge for the wireless technology that current IoT systems are using. Moreover, wireless networks often face performance issues due to radio-frequency interference caused by microwave ovens, cordless telephones, or even Bluetooth devices at home. However, our PLC technology can reach every node connected via the power lines. Our technology converts virtually every standard wall socket into an access point, in many ways incorporating the best of wired and wireless communication, making it a more consistent and reliable system for crucial and sensitive operations. Our ultra-narrowband PLC technology’s ability to reach long distances via power lines becomes especially useful in commercial networks that require the ability to avoid physical barriers like walls, underground structures, and hills, such as those networks used in industrial facilities, underground structures, golf course irrigation systems, and campuses. Moreover, our technology can be an integral part of any smart city, community, or campus.

4. Developing a natural integrated programming language (“NIPL”) applied to software development, which generates a user interface through machine auto generation technology.

We have developed a proprietary and patented “user interface machine auto generation platform” (“UIMAGP”) to replace the manual software designs that are currently used. This platform is used to build the IoT user interface. The natural integrated programming language we have developed is like the language humans use to communicate with each other, which makes it is easy for humans to learn, while still being understood by a machine. The UIMAGP simplifies the process of software programming by saving hundreds of lines of code into a micro code that can be saved to a sensor module. When that sensor module is plugged into a USIP, the user interface specification codes saved to the sensor module is sent to the platform and a universal display, such as a smartphone, a computer, or a display unit. The UIMAGP saved on the universal display automatically generates the user interface within milliseconds instead of requiring months or years of software development work. An embedded coding hardware engineer can design sensor module hardware and provide the user interface specification code. Thus, the hardware-defining software is achieved.

UIMAGP is similar to low code or no code programming because it reduces the amount of traditional hand-coding, enabling accelerated delivery of business applications. However, low code and no code programming suffer from integration restrictions, absence of customization, and security risks issues, making them unsuitable for large-scale and mission-critical enterprise applications such as IoT applications. UIMAGP has overcome these challenges while requiring only a minimum amount of coding. The UIMAGP and user interface specification codes work collectively to perform the function of traditional customized software, enabling UIMAGP to be shared by the estimated 20 billion IoT devices worldwide,<sup>15[16]</sup> a feat that current manual software designs could not achieve.

5. Developing a universal smart instrumentation platform (“USIP”)

Instrumentation is a vast industry that covers a variety of fields, including medical, healthcare, scientific, commercial, industrial, military, and daily life. Lack of instrumentation universality results in every instrument design starting from scratch. Moreover, each instrument can only carry out a determined measurement or control a specific operation. Integrating existing instruments that lack interoperability and compatibility into a platform can be difficult and expensive. This integration is impeded by the inability of instruments to easily communicate with devices and sensors for perception, mobility, and manipulation. As society enters the IoT era, it is not unreasonable to assume that millions of devices will need to be connected in one square kilometer. If each IoT device requires unique hardware and software developed from scratch, implementation in dense urban areas is simply not feasible. Wireless networks can be accessed by any device within the network’s signal range.

USIP is an advanced hardware and software integrated instrumentation platform with a large-scale modular design approach. USIP integrates many technologies, including cloud technology, wired and wireless communication technology, software programming, instrumentation technology, artificial intelligence, PLC, sensor networking, and IoT technology into a single platform. This results in circuit designs that we believe are vastly cheaper and faster than those constructed of discrete integrated circuit components designed from scratch.

USIP has primary functionalities and an open architecture capable of incorporating a variety of individual instruments, functions, sensors, and probes from different industries and vendors into a single unit. Instruments, sensors, or probes ranging from a few to several hundred or even thousands in any combination from various industries and vendors can share or reuse the same platform. Adding, removing, or changing instruments or sensors is all the platform requires to switch from one type of device to another without revising the software and redesigning the hardware.

Compared to traditional stand-alone instruments, USIP exploits the processing power of a computer or a mobile device. Productivity, display, and connectivity capabilities to provide a more powerful, flexible, and cost-effective measurement solution. Traditional hardware-centered instrumentation systems are made up of multiple stand-alone instruments interconnected to carry out a determined measurement or control an operation. They have fixed vendor-defined functionality, and the components that comprise the instruments are also fixed and permanently associated with each other. Different instruments provided by different vendors cannot be interoperated and interchanged. For example, we simply cannot use a traditional blood pressure meter to measure temperature or vice versa. USIP is designated to be compatible with all instruments, sensors, or probes on the market and capable of monitoring and controlling any combination of instruments or sensors. We believe our USIP will revolutionize the field of instrumentation, measurement, control, and automation.

USIP is a versatile platform, able to perform and combine different measurements and controls, to substitute some instruments for others, and to integrate existing instruments into it. The development of USIP is closely associated with the development and proliferation of computers and mobile devices that provide the foundation and technical support to the universal smart instrument such as an attractive graphical user touch screen interface, data processing and analysis capabilities, video and audio, cameras, GPS, ubiquitous wireless connectivity, artificial intelligence, cloud-based communications and a diverse number of functions and software available to users that are not contained in traditional instruments. These features embody the advantages of USIP, which are lacking stand-alone instrument systems. When compared with traditional instrument systems, USIP's biggest advantage is cost savings. Other distinctive features include universality, interoperability, flexibility, compatibility, upgradeability, expandability, scalability, security, modularity, fast prototyping, reducing inventory, plug-and-play operation, remote accessibility, simplification, standardization, and cloud instrumentation.

We have been dedicated to solving instrumentation interoperability for over a decade. We subdivide instruments into a reusable foundation component to the maximum extent possible, architecture-specific components, and sensor modules, which perform traditional instruments' functions at a fraction of their cost. For most instruments, 90% of the design, parts, and firmware are the same. These parts can be replaced by USIP.

USIP utilizes a computer or a mobile device as its display and control to communicate with a group of sensors, instruments, probes, or controllers manufactured by different vendors in a manner that requires the user to have little or no knowledge of their unique characteristics.

The portable version of USIP is illustrated below. When a blood pressure sensor is plugged into the universal device, the user interface specification code saved on the blood pressure sensor is sent to the universal device, and a computer or smartphone will then generate the user interface for the blood pressure device based on the interface specification code saved in the sensor.



Figure 5. A blood pressure sensor is connected to our universal device, which we call the Ubiquitor, and changes our device into a blood pressure measurement instrument.

[16] Gartner Insights "Leading the IoT," available at: [https://www.gartner.com/imagesrv/books/iot/iotEbook\\_digital.pdf](https://www.gartner.com/imagesrv/books/iot/iotEbook_digital.pdf) (last accessed March 7, 2023).

Similarly, if we remove the blood pressure sensor and connect our universal device to both a pH sensor and a CO2 sensor, the universal device changes to a two-sensor device capable of measuring pH and CO2 concentration. Each sensor has its own user interface automatically generated based on the user interface specification code saved in each sensor.



Figure 6. A pH sensor and a CO2 sensor are connected to our universal device, and our device changes into a two-sensor device. A computer or smartphone can also be used for display.

As illustrated below, when a light sensor is also plugged into our universal device using a three-way splitter, the universal device becomes a three-sensor device.



Figure 7. A pH sensor, a CO2 sensor, and a light sensor are connected to the universal device, and the device changes into a three-sensor device. A computer or smartphone can also be used for display.

As illustrated in Figure 8, the universal device can connect any number of sensors in any combination.



Figure 8. Any number of sensors in any combination can be connected to the universal device and changed it into a multiple sensor device. A computer or smartphone can also be used for the display.

As an example of the capabilities of the Ubiquitor, we implemented our universal device in the configuration pictured in Figure 9. This configuration demonstrates that our universal device simultaneously controls 27 light sensors, 21 pH sensors, and 23 temperature humidity sensors (which have 23 temperature sensors and 23 humidity sensors), representing one device controlling a total of 72 devices and 95 sensors. Our universal device also controls two lights in this configuration, which it can control by turning the lights on or off (including on a schedule) or by using a light sensor to control the lights' output intensity.

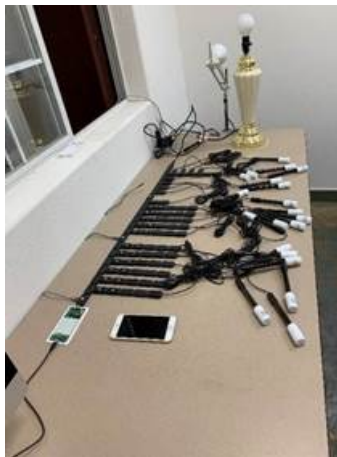


Figure 9. Our universal platform simultaneously monitors and controls 72 different devices and 95 sensors.

To illustrate, the entire horticulture industry has only a few hundred devices from different vendors for various measurement and control purposes. One of our universal smart devices and corresponding sensors or actuators can replace all at a fraction of the cost. Leveraging the same technical principles discussed above, we can simplify the smart control and monitoring in this and related industries (including agriculture and aquaculture) with a platform that requires little design work for interoperability between sensors and control devices.



Figure 10. Traditional horticulture measurement and control devices.



Figure 11. Universal Smart Device.



All household measurement and control devices, such as air conditioner controls, swimming pool controls, garage door controls, sprinkler controls, lighting controls, and motorized curtain controls, can be replaced by a single universal device and corresponding unique accessories.



Figure 12. A single universal smart device can replace all these household control devices.

### Internet of Things Overview

IoT refers to the overarching network created by billions of internet-compatible devices and machines that share data and information worldwide. According to a Gartner report, by the end of 2020, there were an estimated 20 billion IoT-connected devices in use around the world. As the sophistication of both hardware and software in the consumer electronics industry skyrockets, an increasing share of the electronic devices produced around the world are manufactured with internet connectivity. Forecasts suggest that by 2030, around 50 billion of these IoT devices will be in use worldwide, creating a massive web of interconnected devices spanning everything from smartphones to kitchen appliances.<sup>[17]</sup> The IoT will significantly impact the economy by transforming many enterprises into digital businesses, facilitating new business models, improving efficiency, and increasing employee and customer engagement. It is foreseeable that the explosive growth in IoT will rapidly deplete natural and human labor resources. We believe that IoT will soon reach a critical limit; we do not have enough human labor and natural resources to support IoT growth. Twenty billion IoT devices challenge existing resources. We have overcome the current massive IoT production challenges by developing a shared distributed universal IoT. Billions of internet-compatible devices and machines share data and information around the world and share a large section of hardware and software (up to 90%).

Billions of IoT devices are in use worldwide, each with different terminologies, technical specifications, and functional capabilities. These differences make it challenging to create one standard interoperability format for acquiring, harmonizing, storing, accessing, analyzing, and sharing data in near real-time. In fact, not even those instruments built on the same platform are necessarily interoperable because they are often highly customized to an organization's unique workflow and preferences.

[17] Statista Report "Number of internet of things (IoT) connected devices worldwide in 2018, 2025 and 2030" available at <https://www.statista.com/statistics/802690/worldwide-connected-devices-by-access-technology/> (last accessed March 7, 2023).

Wireless networks are far from perfect for IoT. They are typically slower, expensive, and highly susceptible to radio signals and radiation interference. They can be accessed by any device within range of the network's signal, so unauthorized users may intercept information transmitted through the network (including encrypted data). Walls and floors can seriously limit the range of the wireless network. Our proprietary ultra-narrowband PLC technology offers a promising alternative to wireless networks. Integrating USIP with our ultra-narrowband PLC technology results in significant simplification and cost savings in implementing IoT, as illustrated in Figure 13. Using these technologies, we have designed IoT products for both residential and industrial usage and are now in the process of testing.

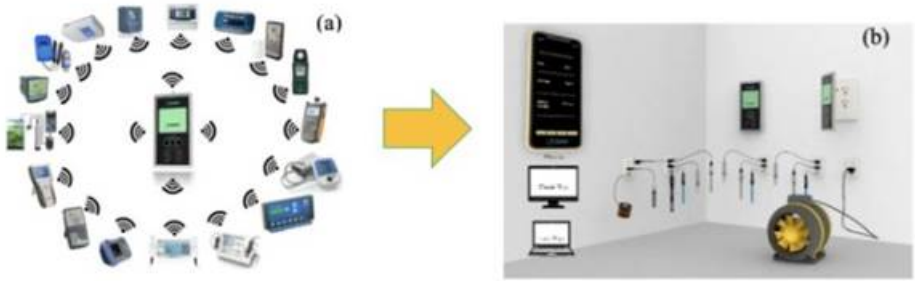


Figure 13. Comparison between (a) a traditional machine to machine IoT and (b) a shared distributed universal IoT, which depicts a USIP and sensors forming a local network through PLC technology. The platform communicates with the cloud to form a remote cloud-based system.

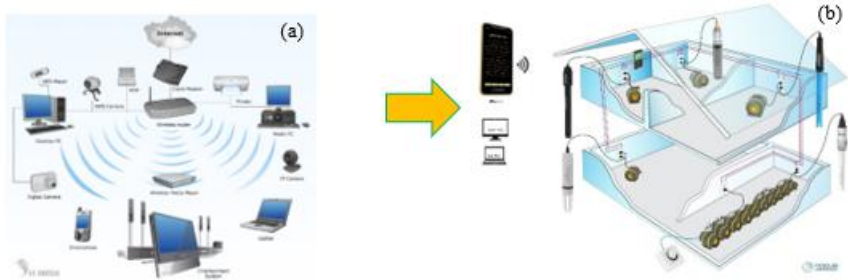


Figure 14. Comparison between (a) a traditional wireless network and (b) Focus Universal Inc.'s PLC network.

## How we will implement our business plan

We currently operate in the scientific instruments industry and the smart home installations industry and plan to apply several of our new technologies to the IoT marketplace.

Four divisions have been established within our Company to develop and promote our technologies. We believe that our technologies, as depicted above, can be used in standalone device design and production and on large scale IoT device design and production, aiming to solve the attendant complexity and cost challenges.

### a) Ultra-narrowband power line communication division.

Our ultra-narrowband PLC technology has achieved data transfer speeds of 4 megabits per second (“Mbps”), with a bandwidth of less than 1000 hertz (Hz). These results are 15 times faster than the Zigbee short-range wireless technology mesh networks and 100-400 times faster than Z-Wave’s low-energy wave short-range wireless technology. The current 4Mbps PLC modules will be used for IoT applications involving thousands of sensors. We are developing even higher communication speeds through our PLC. The ultra-narrowband PLC module will be integrated into ICs. This division will focus on ultra-narrowband PLC research and development, promoting and marketing ultra-narrowband PLC, ICs and finished products. We also intend to promote and market ICs, licensing, and contract designing.

Given that the power grid is an already established, ubiquitous network, connectivity via PLC technology may be the most cost-effective and scalable interconnectivity approach for the IoT. Due to the harsh electrical noise and interference currently present on power lines and to the variations in equipment and standards, that make data transfer using PLC technology limited and difficult, the global market for PLC technology is very limited.



Figure 15. Markets and Markets Updated date – Oct 25

The market size for PLC is expected to reach \$17.4 billion at the end of 2028.<sup>[18]</sup> This prediction is based on current PLC technology, which provides speeds that are too slow (usually less than 9,600 bps), coverage that is too short (200-300 yards), and harsh electrical noise and interference. The major vendors of PLC technology include ABB, General Electric, Siemens, AMETEK, Schneider Electric, Texas Instruments, Maxim Integrated, Devolo, Cypress Semiconductor, ST Microelectronics, Panasonic, Microchip, Qualcomm Atheros, TP-Link Technologies, NETGEAR, D-Link, NXP Semiconductor NV, Landis+Gyr, Sigma Designs, Zyxel Communications, Nyx Hemera Technologies, and Renesas Electronics Corporation.

[18] GlobalNewswire, December 19, 2022, <https://www.globenewswire.com/en/news-release/2022/12/19/2576452/0/en/Global-Programmable-Logic-Controller-PLC-Market-to-Reach-17-6-Billion-by-2028-Presence-of-Over-1-500-Manufacturers-Makes-it-Highly-Fragmented.html>, (March 7, 2023)

It is our understanding that no other vendor has developed a PLC technology application that is similar to our ultra-narrowband PLC technology. We believe that market size will increase significantly with the introduction of our ultra-narrowband PLC technology, which can overcome the interference and noise challenges presented by traditional PLC technology. We believe that by utilizing ultra-narrowband PLC, the global IoT communication infrastructure costs and operating costs can be reduced.

b) Ultra-narrowband wireless division

This division will focus on developing ultra-narrowband wireless technology and overcoming the challenges facing current 5G networks. We intend to sell DoC for wireless communication, licensing, and contract designing.

While developing our ultra-narrowband PLC technology, we gained insight into the development of a single carrier wave ultra-narrowband wireless technology, which aims to increase data transfer rates from 4 Mbps to 64 Mbps. We expect our ultra-narrowband wireless technology to achieve data transfer rates of 256 Mbps using 4 subcarrier waves, which is close to 5G speeds requiring more than three thousand subcarrier waves. The projected speed can be further increased if multiple carrier waves or higher operating frequencies are used.

Our current research and development efforts are focused on an operating frequency of 64 megahertz (MHz), which is about 100 times lower than 4G networks (6 gigahertz (GHz)) and 5,000 times lower than 5G networks (up to 300 GHz). Our technology's 1,000 Hz bandwidth is approximately 20,000 times narrower than 4G networks and 100,000 times narrower than 5G networks. The narrower the bandwidth, the less energy consumption. By maintaining the 1,000 Hz bandwidth, our ultra-narrowband wireless technology can save electricity usage by a factor of up to 100,000 times when compared with a 5G network. We believe that our ultra-narrowband wireless technology has the potential to push the wireless frontier well beyond 5G. We finalized our ultra-narrowband technology research with data transfer speeds of 64-256 Mbps in the fourth quarter of 2022. We now need to build testing equipment. This requires us to design and build a digital device that can perform the digital speed testing. We have designed the devices and we should receive the finished circuit boards in the next few weeks and hope that such device will be completed by the end of 2023.

Markets and Markets projects that the 5G infrastructure market will reach USD 47,775 million by 2027, at a CAGR of 67.1%. The major players in the 5G infrastructure market are Huawei (China), Ericsson (Sweden), Samsung (South Korea), Nokia Networks (Finland), ZTE (China), NEC (Japan), CISCO (US), CommScope (US), Comba Telecom Systems (Hong Kong), Alpha Networks (Taiwan), Siklu Communication (Israel), and Mavenir (US). Huawei (China) is the leader in the 5G infrastructure market. Limited coverage, high energy consumption, and expensive infrastructure installation are the major holdups for the successful deployment of 5G technology. Most 5G technologies are based on broadband technology; our research suggests there are very few companies working on ultra-narrowband technology. We believe that adopting our ultra-narrowband wireless technology can provide significant cost savings to 5G spectrum bands, 5G network hardware, and 5G energy consumption.

c) User interface machine auto generation division

Established in 2009, our Company's software user interface machine auto generation technology division has developed 100 sensors in arbitrary combinations, all of which have been tested for the iOS system. RS-485 is an industrial specification that defines the electrical interface and physical layer for point-to-point communication of electrical devices. RS-485 is widely adopted and used in the IoT industry. Standard RS-485 modules available today usually do not support more than 100 sensors. The first version of UIMAGP has been completed and we believe should support more than 1,000 sensors. We intend to sell and license the software to device manufacturers that use our DoC ICs and other industries where the software can be applied.

UIMAGP can be used in IoT software design and can be applied to other industry sectors. This division is planning to expand to other industries as well.

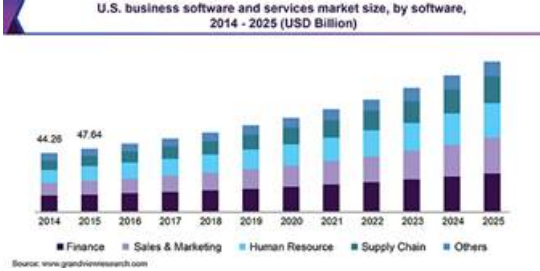


Figure 16. Software market size.

Today, some of the biggest companies within the software industry, including Microsoft, IBM, Oracle, SAP, and Salesforce, have still not developed a UIMAGP. Any software that can be created by low code and no code programming can also be created by using UIMAGP. However, the software created by UIMAGP achieves what low code and no code programming cannot because of the complexities of applying the code to different platforms and the accompanying required customization. One of the distinct features of UIMAGP is that the programming provides a starting point that includes foundational code that may be used on any platform or operating system. This makes the final programming much more efficient, as it needs relatively few lines of code to program a complicated application.

d) Universal smart instrument division

This division will focus on developing and marketing end-user universal smart instruments and shared distributed universal IoT devices for the commercial and residential markets. The development of universal smart instruments and IoT have considerable overlap, with the only difference being the number of devices involved. We will capitalize on this overlap by unifying universal smart instruments and IoT into a single system, eliminating any distinction between them. USIP, a cost-effective and fully production-ready hardware and software platform, provides a considerable advantage in shorting design, building, testing, and fixing cycles. Smart home products, including light controls, air conditioner controls, sprinkler controls, garden light controls, heating floor controls, motorized curtain controls, pool filtration and algae controls, smoke detector controls, carbon monoxide measurement, motion detectors, and doorbells, have been designed and tested.

This division will also develop and market end-user universal smart instruments and shared distributed universal IoT devices in the horticulture, agriculture, and aquaculture industries. Leveraging the Company's ultra-narrowband PLC technology and USIP, we intend to provide a more stable, secure, and faster network for large industrial operations requiring data-specific sensing and control automation to ensure optimal outcomes. According to Markets and Markets, the agriculture IoT market is expected to grow from \$11.4 billion in 2021 to \$18.1 billion by 2026, at a CAGR of 9.8%.<sup>[19]</sup> A key factor driving the growth of this market is the rising demand for agricultural production due to increasing population and adoption of IoT and AI technologies by farmers and growers. Deere & Company (US), Trimble (US), Raven Industries (US), AGCO Corporation (AGCO) (US), AgJunction Inc. (AgJunction) (US), DeLaval (Sweden), GEA Farm Technology (Germany), Lely (Netherlands), Antelliq (France), AG Leader Technology (AG Leader) (US), Tigercat (Canada), Ponsse (Finland), Komatsu Forest AB (Sweden), Caterpillar (US), Treemetrics (Ireland), Topcon Positioning Systems (US), and DICKEY-john Corporation (US) are some of the major players in the agriculture IoT market. We have completed the design of certain PLC industrial IoT devices, including industrial light controls, temperature controls, humidity controls, carbon dioxide controls, digital lighting controls, quantum PAR measurement and controls, pH measurement and controls, TDS measurement and controls, and fan speed controls.

This division will also focus on developing device-on-a-chip (DoC) ICs, which we intend to sell to electronic device manufacturers for use in conjunction with the USIP. We will distinguish our DoC technology from the component ICs; these ICs can perform entire device functions. According to the Cision the globally integrated circuits market will be worth \$1,248.6 billion in 2030.<sup>[20]</sup> Major players in the IC market are Intel Corporation, Texas Instruments, Analog Devices, STMicroelectronics, NXP, ON Semiconductor, Micron, Toshiba, Broadcom, and Qualcomm.

This division will also install and design customer solutions for residential and commercial IoT projects. The Company currently specializes in high-performance, easy-to-use audio/video, home theater, lighting control, automation, and home integration solutions for residential installation and custom solution services. On the commercial side, we plan to add well-trained staff ready to handle all aspects of voice, data, fiber, paging, audio-video services, CATV, and other low voltage premise cabling. All of our service providers hold certifications for multiple product lines and specialty work. The Company plans to use its current client base and expertise from these installation services to integrate products developed on the USIP into the project proposals.

---

<sup>[19]</sup> Market and Markets, May 2021, Agriculture IoT Market worth \$18.1 billion by 2026, <https://www.marketsandmarkets.com/PressReleases/iot-in-agriculture.asp>, (last accessed March 7, 2023)

<sup>[20]</sup> Cision, January 25, 2023, Integrated Circuits Market to Reach USD 1,248.6 Billion by 2030, <https://www.prnewswire.com/news-releases/integrated-circuits-market-to-reach-usd-1-248-6-billion-by-2030--301730536.html>, (last accessed March 7, 2023)

### Products we are currently selling

In addition to the technologies which we have developed and described above, we are a wholesaler of various digital, analog, and quantum light meters and filtration products, including fan speed adjusters, carbon filters, and HEPA filtration systems. We source these products from manufacturers in China and then sell them to a major U.S. distributor, Hydrofarm, who resells our products directly to consumers through retail distribution channels and, in some cases, places its branding on our products.

*Specifically, we sell the following products:*

*Fan speed adjuster device.* We provide a fan speed adjuster device to our client Hydrofarm. Designed specifically for centrifugal fans with brushless motors, our adjuster device helps ensure longer life by preventing damage to fan motors by adjusting the speed of centrifugal fans without causing the motor to hum. These devices are rated for 350 watts max, have 120VAC voltage capacity, and feature an internal, electronic auto-resetting circuit breaker.



Our Fan Speed Adjuster Device

*Carbon filter devices.* We sell two types of carbon filter devices to our client Hydrofarm. These carbon filter devices are professional-grade filters specifically designed and used to filter the air in greenhouses that might be polluted by fermenting organics. One of these filters can be attached to a centrifugal fan to scrub the air in a constant circle or can be attached to an exhaust line as a single pass filter, which moves air out of the growing area, filters unwanted odors, and removes pollen, dust, and other debris in the air. The other filter is designed to be used with fans from 0-6000 C.F.M.



Our Carbon Filter Device

*HEPA filtration device.* We provide a high-efficiency particulate arrestance (“HEPA”) filtration device at wholesale prices to our client Hydrofarm. Manufactured, tested, certified, and labeled in accordance with current HEPA filter standards, this device is targeted towards greenhouses and grow rooms and designed to keep insects, bacteria, and mold out of grow rooms. We sell these devices in various sizes.



Our HEPA Filtration Device



*Digital light meter.* We provide a handheld digital light meter to measure luminance in FC units or foot-candles.



Our Digital Light Meter Device

*Quantum par meter.* We provide a handheld quantum PAR meter to measure photosynthetically active radiation (“PAR”). This fully portable handheld PAR meter measures PAR flux in wavelengths ranging from 400 to 700 nm. It is designed to measure up to 10,000  $\mu\text{mol}$ .



Our Quantum Par Meter Device

### Smart Home Installation

Through AVX Design and Integration, Inc. (“AVX”), an IoT installation and management company based in southern California, and a subsidiary of the Company, we offer residential customers an entire smart home product line. We have finished designing smart devices for lighting control, air conditioner control, sprinkler control, garden light control, garage door control, and heating control. We are developing a swimming pool control device, smoke detector, and carbon monoxide monitor.

We believe smart installation based on the USIP, and our Ubiquitor together will include more functionalities than the current systems offered by our competitors. It is our goal that our smart systems would integrate, exchange data, interact and connect utilizing our forthcoming PLC technology. As a result, the installation process would be simplified, and its costs would be reduced.

Once successfully integrated, the Ubiquitor will be central to every smart installation with our IoT Installation Services segment. The Ubiquitor’s connectivity capabilities will allow that system to be expanded and customized in the future. We also plan to offer zero down payment options for installation of our smart systems and charge a monthly subscription fee instead.

Notwithstanding the foregoing, should we be unable to successfully integrate the Ubiquitor into our smart installations, the Ubiquitor will continue to be a flagship product of our Company that can be applied to various other purposes in the different industries and fields mentioned above.

### Strategy and Marketing Plan

The Company plans to market the USIP to the industrial sector first, including key growth industries such as indoor agriculture. Once the technology is established there, the core technologies of universality and interoperability through a readily available device, such as a mobile device or smartphone, may be ported to products specifically intended for the consumer and residential markets.

While industrial markets are large, the consumer and residential markets are even more significant. This two-phase approach will allow for continuous and increasing revenue growth. Moreover, during the industrial phase of development, the Company will test and refine its products to ensure that they are ready for the consumer and residential markets.

Once we have successfully entered the industrial sector, we intend to roll out additional technologies that are currently under development. These technologies will advance and support the core technologies marketed in phases one and two to the industrial and consumer markets.

We will continue to design, manufacture, market, and distribute our electronic measurement devices, such as temperature humidity meters, digital meters, quantum PAR meters, pH meters, TDS meters, and CO2 monitors. Over the years, Hydrofarm has developed a broad and loyal customer base that buys our existing products on a repeat basis. The universal smart technology has been applied to our existing traditional devices and demonstrated significant functional improvement and hardware cost savings. We believe hardware cost reductions of up to 90% have been achieved. However, promoting universal smart technology and universal smart IoT devices to our customers, including traditional instrument manufacturers, will be the central focus of our business in the future.

Different markets require different strategies. We divided our customers into a few segments to determine what specific marketing technique will reach each targeted group and its needs.

#### **a) Our Existing Customer, Hydrofarm**

Our universal smart instruments' design, development, and manufacture are targeted to increase current sales to Hydrofarm, our existing customer.

Our current customer, Hydrofarm, is the largest distributor in the horticulture industry, with roughly 50% of the market share in the U.S. horticulture industry.

All our current universal smart devices, including sensors and controllers, will be distributed to Hydrofarm. Smartphones can be used to display and control all the sensors and controllers in the horticulture industry. By the end of 2020, we completed the development of several sensors that are used in the gardening industry, including a light control node, temperature sensor, humidity sensor, digital light sensor, quantum PAR sensor, pH sensor, TDS sensor and carbon dioxide sensor; and we finished the circuit layouts for the pilot IoT system for the gardening industry (consisting of approximately 1,000 sensor nodes and controllers). These circuit layouts are in the possession of our manufacturer in China for production. We have now received the circuit boards and are trying to launch the pilot production. We are designing the injection molding tooling so that we can create the casing. We believe we will be able to launch the pilot production once the casing tooling is fixed. In 2023, we intend to extend our product line to Hydrofarm, who in turn will resell and market our systems and devices to its customers in the horticulture industry.

#### **b) Online Customers**

We intend to use traditional and specialized e-commerce outlets to help with online brand awareness. By analyzing Amazon's data, we plan to determine which traditional instruments have the highest selling volumes and at what price point. Future research and development will focus on integrating the sensors used in these instruments into the universal smart instruments to leverage on their existing markets.

#### **c) Traditional Controller and Remote-Control Customers**

Traditional controllers monitor and control their sensors through bi-directional communication implemented by hardware. The sensors or probes in controllers not only measure the physical environment but also give feedback to the input actuators that can make necessary corrections. They are expensive and require a corresponding monitor in which unidirectional communication is needed. For example, a traditional temperature meter may cost approximately \$15 and a temperature controller may cost approximately \$100. The wireless bi-directional communication supported by a smartphone or mobile device offers cost reduction in controller design and manufacturing. Traditional remote control is accomplished through hardware, which can be replaced by a smartphone. Universal smart technology will also play an important role in traditional control applications. Traditional controller users are one of highest profit margin customers of universal smart technology.

#### **d) Special Customers**

For customers who consider an instrument's compatibility, interoperability, interchangeability, universality, upgradeability, expandability, scalability, and remote access ability as crucial, universal smart technology has several fundamental advantages over traditional instruments in terms of hardware cost and functionality. End users will not only enjoy the remote access to their sensors wirelessly but also save the cost of the hardware module which will be replaced by a smartphone.

#### **e) Traditional Instruments Manufacturers**

We may consider selling the Ubiquitor directly to instrument manufacturers and allowing them to distribute it through their established platforms. We are putting together an internal sales team in order to establish the marketing campaign for our sensor devices, including the Ubiquitor. We are also expanding the sales team for AVX because we believe that the Ubiquitor device will be integral to smart home installations.

We believe that universal smart technology will play a critical role for traditional industrial instrument manufacturers, because it is too expensive and difficult to develop industrial instrument sensors for medium or smaller companies or individual homes. The cost factor is the first consideration when deciding whether a company wants to develop universal smart technologies and implement them in their products.

On December 23, 2021, Focus Universal (Shenzhen) Technology Co. LTD was founded as a mainland China office for manufacturing procurement expertise and support research and development activities. Focus Universal (Shenzhen) Technology Co. LTD is 100% owned by Focus Universal Inc. and designed to function as a branch office accessing high level ability to source products and build relationships with manufacturers in the region and as a lower cost form of support research and development as engineers are more plentiful in the region. In the future, this office could also handle other online marketing and marketing production activities, provided a cost and quality benefit exists at the time.

Our goals over the next three years include:

- Raise capital to move into full manufacturing and production for our Ubiquitor device;
- Partner with manufacturers and promote the adoption of our Ubiquitor device in a USIP;
- Acquire a stable market share of the sensor device market;
- Continue performing research and development on PLC technology;
- Focus on building our smart home offerings so that we can reduce the cost of smart home implementation to focus on expanding smart home installation and implementation beyond luxury homes;
- File additional patents to expand our intellectual property portfolio related to the many uses of our Ubiquitor device; and
- File patents to protect our PLC technology.

To achieve these goals, we intend to focus on the following initiatives:

- Position the Ubiquitor device as the industry standard in universal sensor reading technology;
- Establish strategic supply chain channels to facilitate efficient production operations; and
- Communicate the product and service differentiation through direct networking and effective marketing.

### **Growth Strategy**

#### **Growth through Mergers and Acquisitions**

Mergers and acquisitions (“M&A”) represent a significant part of our growth strategy because M&A can fill business gaps or add key business operations without requiring us to wait years for marketing and sales cycles to materialize. We have used this growth strategy in our acquisition of AVX, and in the future intend to continue to use M&A to find and secure opportunities that will either: (i) achieve the objective of growth in our market segments; or (ii) provide an area of expansion that will add to the Company’s products and/or service lines in markets that we are currently not serving, but could serve if we had the appropriate expertise. The resulting combination of our existing products and services, new key personnel, and strategic partnerships through M&A will allow us to operate in new markets and provide new offerings to our existing market.

Acquiring key competitors may allow the addition of key personnel to our team. These additions may include people with vast industry knowledge, which can act as a catalyst to further our growth and lead to the development of new products and business lines. We will seek to target synergistic acquisitions in the same industry, targeting different geographic locations, which will allow us to actively compete on a regional or national scale in the IoT segment. If we target businesses in the same sector or location, we hope to combine resources to reduce costs, eliminate duplicate facilities or departments and increase revenue. We believe this strategy will allow for accelerated growth and maximize investor returns.

One of our key strategies to grow through M&A is to acquire smaller businesses that focus on IoT installation technology (industrial or residential) and in the USIP or PLC industries.

## **Original Equipment Manufacturer (“OEM”) Engineering Consulting and Design Services**

Universal smart technology is new to most electronic engineers and manufacturers. One way to promote our universal smart technology is to provide direct OEM engineering design consulting services to potential industrial customers. Direct, on-site consulting will educate our industrial consumers on the many ways our technology can be implemented in a variety of industrial applications. We believe that we are well positioned to perform product design and engineering consulting services for future OEM customers. We believe we can operate as a seamless extension of our customers’ engineering organizations and add scale, flexibility, and speed to their design processes. We will not be able to offer such engineering consulting and design consulting services until the Ubiquitor is being produced and distributed. We believe that once the Ubiquitor is being produced and distributed, we will have hired and trained enough engineers to execute our consulting strategy. Through our engineering consulting services strategy, we intend to become our customers’ engineering partner at all stages of the design cycle so that we may effectively assist them in transforming ideas into production-ready products and accelerate time to market for our universal smart technology product segment.

### **Technology Licensing**

We may also consider entering into licensing arrangements with our customers for our technology. We believe that once we educate our industrial consumers, they may want to integrate our universal smart technology into their own technology through licensing agreements. We believe licensing our intellectual property may provide a revenue stream with no additional overhead, all while allowing us to retain proprietary ownership and create long-term industrial consumers who rely on our products. By creating incentives, such as cost incentives, to license our IP rather than design their own technology, we believe potential customers could save on design costs and create business development opportunities. Licensing may also allow us to rely on the expertise, capacity, and skill of a licensee to commercialize our IP, which is especially valuable if we lack the infrastructure, financial resources, and know-how to bring a product to market independently.

### **Distribution Method**

We intend to engage in relationships predominantly with standard U.S. component manufacturers and similar electronics providers for the manufacturing of unassembled parts of the Ubiquitor and its sensor nodes, and to then ship such parts to our Ontario, California facility where we will assemble the Ubiquitor devices and sensor nodes. Afterwards, we would distribute our Ubiquitor devices to distributors and retailers directly and also ship directly to traditional industrial instrument manufacturers. We have a sales department operating out of our Ontario, California office and eventually plan to open a second sales department in China dedicated to promoting our technologies to local instrument manufacturers who can utilize our Ubiquitor devices in their manufacturing and other processes. We intend to market the Ubiquitor to industrial end-users through Hydrofarm, through direct business-to-business sales channels and also directly to consumers via e-commerce internet platforms. For our quantum light meters, and air filtration products, while we still continue to anticipate orders from Hydrofarm in 2023, we have begun to diversify away from one single dominant distributor into more diversified distribution channels, such as direct wholesale into retail outlets and direct distribution to end-users. We also intend to implement a direct sales method via Amazon.com and other online retailers.

### **Raw Materials**

The electronic components used in the Ubiquitor are common and can be easily purchased through a variety of suppliers with little advanced notice. We predominantly use large-scale manufacturers in the United States such as Texas Instruments and Intel for the major components. Other key suppliers we could consider include Analog Devices, Skyworks Solutions, Infineon, STMicroelectronics, NXP Semiconductors, Maxim Integrated, On Semiconductor, and Microchip Technology. Production and assembly lines are also available worldwide if we needed to outsource or increase our capacity, though we intend to complete our assembly in our Ontario, California facility.

## **Manufacturing and Assembly**

We have an assembly facility in Ontario, California where we assemble the Ubiquitor from parts sourced predominantly in the United States. Our quantum light meters and handheld sensors are also manufactured in our Ontario, California facility. Our air filtration products are manufactured and assembled in China by a third-party contract manufacturer, Tianjin Guanglee.

Our subsidiary unit in the Canton province of mainland China, Focus Universal (Shenzhen) Technology Co. LTD, was founded in December 2021 as an office for manufacturing procurement expertise and support research and development activities. Focus Universal (Shenzhen) Technology Co. LTD is designed to function as a branch office accessing high level ability to source products and build relationships with manufacturers in the region and as a lower cost form of support research and development as engineers are more plentiful in the region. In the future, this office could also handle other online marketing and marketing production activities, provided a cost and quality benefit exists at the time. This excludes any projects subject to approval or that require a separate business license in accordance with the local laws. China allows foreign entities to setup wholly owned limited liability companies in China, also known as Wholly Foreign Owned Enterprises (WFOEs), in non “restricted” or “prohibited” industries or business activities. The subsidiary’s business operation has been approved by the local government in Shenzhen to be qualified as a WFOE entity in China. The entity is 100% owned by Focus Universal Inc.

## **Competitors**

### **Sensor Node Industry**

There are several competitors we have identified in the sensor node industry, including traditional instruments or devices manufacturers such as Hanna Instruments or Extech Instruments.

Hach developed and launched the SC1000 Multi-parameter Universal Controller, a probe module for connecting to 32 digital sensors or analyzers. However, their products are not compatible with smart phones yet; and we believe their price point is still prohibitive to consumers.

Monnit Corporation offers a range of wireless and remote sensors. Many of Monnit’s products are web-based wireless sensors that usually are not portable because of their power consumption. Also, the sensors’ real-time updates are slow; and we believe security of the web-based sensor data acquisition may be a concern. In addition to purchasing the device, consumers usually have to pay a monthly fee for using web-based services.

### **IoT Installation Industry**

There are several companies that compete with AVX in smart home installations, including Vivint Smart Home, Crestron and Control4. However, we believe we can distinguish ourselves from our competitors by offering a substantially lower price. An installation by Crestron ranges between \$20,000 and \$100,000 and by Control4 between \$20,000 and \$40,000. The cheapest competitor we can identify in this sector is Vivint Smart Home, which costs less than \$5,000 to install; however, we understand that the Vivint Smart Home focuses on security systems only and that users have no other smart applications, which our smart home product line would include.

### Air Filtration Systems and Meter Products Industry

The air filtration system and meter products industry is a niche industry. The global industrial air filtration market was valued at \$23.83 billion by 2029 and analysts expect it to register a CAGR of 7.2% because of the industrial need to control air quality across a range of industries.<sup>[21]</sup> Air purification methods are an effective way to control contaminants and improve indoor air quality and as a result, many national and local governments overseeing indoor air quality and other emissions are enacting stricter workforce health and safety regulations in this area, which drives demand.

We are not trying to compete with traditional instruments or device manufacturers because we plan to utilize our Ubiquitor device in conjunction with our smartphone application. We believe the resulting product may compete in a much wider product category due to its many potential applications.

### **Our Corporate History**

We are based in the City of Ontario, California, and were incorporated in Nevada in 2012. In December of 2013, we filed an S-1 registration statement that went effective on March 14, 2014. From March 14, 2014, through August 30, 2021, our securities traded on the OTCQB Market. From August 31, 2021, our securities traded on the Nasdaq Capital Market. From January 28, 2022, our securities traded on the Nasdaq Global Market.

Our website is [www.focusuniversal.com](http://www.focusuniversal.com). Our website and the information contained therein or connected thereto are not intended to be incorporated into this report.

The Company entered the residential and commercial automation installation service industry through the acquisition of AVX Design and Integration, Inc. (“AVX”) in March of 2019. AVX was established in 2000 with the goal of installing high-performance, easy-to-use Audio/Video, Home Theater, Lighting Control, Automation, and Integration systems for high-net-worth residential projects.

Additionally, we are performing research and development on an electric power line communication (“PLC”) technology and have filed three patents with the United States Patent and Trademark Office (USPTO) related to our Ubiquitor device and the design of a quantum PAR photo sensor. Eventually, we hope that PLC technology will further enhance smart IoT installations performed by AVX and powered by the Ubiquitor.

In late 2018, we purchased a manufacturing warehouse and office space addressed at 2311 East Locust Court, Ontario, CA, 91761. The property consists of an industrial type, two-story building, with a total building area of 30,740 square feet. Ten thousand square feet will be utilized for office space; and 20,000 square feet will be utilized for warehouse space. The property includes 58 parking spaces. The purchase price for the property was approximately \$4.62 million.

On March 15, 2019, the Company entered into a stock purchase agreement with Patrick Calderone, the CEO and owner of AVX, whereby the Company purchased 100% of the outstanding stock of AVX (the “AVX Acquisition”) for \$890,716. The purchase price was structured as follows: (1) \$550,000 payable in cash at closing; (2) \$290,716 payable in 39,286 shares of the Company’s common stock issued upon closing; and (3) \$50,000 payable in the form of a secured promissory note at 6% interest over 12 months secured by six shares of AVX common stock. In connection with the AVX Acquisition, Patrick Calderone also entered into a consulting agreement with the Company pursuant to which he would offer consulting and training services during the 12-month period following the closing of the AVX Acquisition. Since AVX is an installer of smart home products, and since we anticipate that our Ubiquitor device can enhance smart home installations, we believe that this acquisition will allow us to test new applications and the integration capabilities of our Ubiquitor device in smart homes.

On August 31, 2021, the Company commenced trading on the Nasdaq Capital Market under the symbol “FCUV.”

---

[21] Fortune, The global air filters market is projected to grow from \$14.68 billion in 2022 to \$23.83 billion by 2029, exhibiting a CAGR of 7.2% in forecast period, 2022-2029, <https://www.fortunebusinessinsights.com/industry-reports/air-filters-market-101676>, (last accessed March 7, 2023)



On September 2, 2021, the Company announced the closing of an underwritten public offering of 2,300,000 newly issued shares of common stock at a price to the public of \$5.00 per share. The closing included the full exercise of the underwriters' over-allotment option to purchase 300,000 shares of common stock at the public offering price, for gross proceeds to the Company of \$11.5 million, prior to deducting underwriting discounts and commissions and offering expenses payable by us.

On January 26, 2022, the Company announced approval for the uplist of its stock onto the Nasdaq Global Market exchange under the symbol "FCUV."

#### **Patent, Trademark, License and Franchise Restrictions and Contractual Obligations and Concessions**

On November 4, 2016, we filed a U.S. patent application number 15/344,041 with the USPTO. On March 5, 2018, we issued a press release announcing that the USPTO had issued an Issue Notification for U.S. Patent Application No. 9924295 entitled "Universal Smart Device," which covers a patent application regarding the Company's Universal Smart Device. The patent was granted on March 20, 2018.

After our internal research and development efforts, we filed with the USPTO on June 2, 2017, a patent application regarding a process for improving the spectral response curve of a photo sensor. The small and cost-effective multicolor sensor and its related software protected by the potential patent we believe could achieve a spectral response that approximates an ideal photo response to measure optical measurement. The patent was issued on February 26, 2019.

On November 29, 2019, the Company filed an international utility patent application filed through the patent cooperation treaty as application PCT/US2019/63880. In April 2020, the Company was notified that it received a favorable international search report from the International Searching Authority regarding this patent application, which patents the Company's PLC technology. The World Intellectual Property Organization report cited only three category "A" documents, indicating that the Company's application met both the novelty and non-obviousness patentability requirements. Consequently, the Company is optimistic that the patent covering the claims for its PLC technology will be issued in due course and will allow the Company to implement strong protections on the PLC technology worldwide.

On May 19, 2021, we filed thirteen provisional patent applications with the USPTO that we had been researching and developing for years encompassing a broad spectrum of technology areas including sensor technology, wired and wireless communications, power line communications, computer security, software solutions, interconnected technological communications, smart home systems and methods for both home and hydroponic areas, dynamic password cipher, local file security, payment card security, infrared sensor, and a method and apparatus for high data rate transmission.

We continue to utilize the services of the law firm of Knobbe Martens, Olson & Bear, LLP based in Orange County, CA to serve as outside intellectual property counsel for the Company. The firm is working on transferring the Company's provisional patent applications to formal patent applications in addition to filing new provisional patents. In 2021, we filed 14 patents. We filed 18 domestic patents in 2022 (plus two international patents in 2022), and so far have filed 3 patents in 2023.

In addition, the Company's patent number 11,488,468 was allowed and subsequently issued on November 1, 2022. The patent, titled Sensor for Detecting the Proximity of an IEEE 802.11 Protocol Connectable Device.

#### **Research and Development Activities**

For the year ended December 31, 2022, we spent a total of \$1,060,385 on research and development activities; and for the year ended December 31, 2021, we spent a total of \$220,469.

Focus Universal (Shenzhen) Technology Co. LTD was founded as a mainland China office for manufacturing procurement expertise and non-confidential support research and development activities. This wholly owned subsidiary is registered to be engaged in IoT research and development, IoT sales and service, and other related activities.

### **Compliance with Environmental Laws**

We are not aware of any environmental laws that have been enacted, nor are we aware of any such laws being contemplated for the future, that impact issues specific to our business.

### **Employees**

As of the date of this report we have a total of 32 employees, with 25 full-time employees and 7 part-time employees. The Company's Chief Executive Officer and Secretary is Dr. Desheng Wang, and our Chief Financial Officer is Irving Kau. We have a head of marketing whose efforts are focused on the controlled agricultural market segment. We have eleven full-time senior electrical and computer engineers working on the research and development of our products. We have one full-time sales employee and three full-time employees are working on administrative tasks. We also have a full-time accounting manager/controller. Four employees perform audio/visual home installations for our subsidiary AVX, with one employee serving as the supervisor and operational head.

### **Legal Proceedings**

On or about April 13, 2020, Ian Patterson, the Chief Operations Officer of AVX resigned from his position. On May 5, 2020, Mr. Patterson filed an action in the Superior Court for the County of Los Angeles, State of California, against the Company, et al. The complaint alleges claims including discrimination, wrongful termination, retaliation and various other provisions of the California Labor Code, and various other claims under California state law. The complaint seeks unspecified economic and non-economic losses, as well as attorneys' fees. In response to the Complaint, defendants filed a motion to compel arbitration asking the court to order Plaintiff to submit his claims to binding individual arbitration based on an arbitration agreement signed by Plaintiff at the outset of his employment. The motion was unfortunately denied, and in response, defendants filed an appeal. The appeal was also denied. Trial for this matter is not set, nor has discovery been conducted. AVX intends to vigorously contest this matter. Further, AVX disputes that the other defendants are proper parties to the litigation. However, litigation and investigations are inherently uncertain, but the outcome could have a material impact on the Company.

On or about April 14, 2020, Devesa Sarria, the Sales and Marketing Director, was terminated. On May 13, 2020, she filed an action in the Superior Court for the County of Los Angeles, State of California. The Complaint alleges claims including discrimination, wrongful termination, retaliation and various other provisions of the California Labor Code, and various other claims under California state law. The complaint seeks unspecified economic and non-economic losses, as well as attorneys' fees. We have completed written discovery and most of the non-expert discovery. Trial is set for October 11, 2023. AVX intends to vigorously contest this matter. Further, AVX disputes that the other defendants are proper parties to the litigation. However, litigation and investigations are inherently uncertain, but the outcome could have a material impact on the Company.

On January 19, 2023, the company filed an action in the Superior Court of California, County of San Bernardino against Jacqueline Li. AVX Design and Integration pre-paid for equipment toward a joint project with her father Jeffrey Li. Payment was made to Jaqueline's father's company Sing Young Music, while no goods or services were ever received. Upon death, Jacqueline Li distributed assets from the business Sing Young Music without consideration toward the business entity or any formation of an estate for Jeffrey Li. We attended the trial on March 17, 2023 to represent our side of the case and are awaiting judgement from the court.

### **Reports to Securities Holders**

We provide an annual report that includes audited financial information to our shareholders. We make our financial information equally available to any interested parties or investors through compliance with the disclosure rules for a small business issuer under the Exchange Act. We are subject to disclosure filing requirements including filing Form 10-K annually and Form 10-Q quarterly. In addition, we will file Form 8-K and other proxy and information statements from time to time as required. We do not intend to voluntarily file the above reports in the event that our obligation to file such reports is suspended under the Exchange Act. The public may read and copy any materials that we file with the Securities and Exchange Commission at the SEC's Public Reference Room at 100 F Street NE, Washington, DC 20549.

The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet site (<http://www.sec.gov>) that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC.

## Item 1A. RISK FACTORS

### Risks Related to our Business and Industry

***We have a history of operating losses, and we may not be able to sustain profitability.***

We were incorporated on December 4, 2012; and as of December 31, 2022, we had an accumulated deficit of \$17,864,028. If we are not successful in growing revenues and controlling costs, we will not maintain profitable operations or positive cash flow, and even if we achieve profitability in the future, we may not be able to sustain profitability in subsequent periods.

***Because we have a limiting operating history with positive revenues, you may not be able to accurately evaluate our operations.***

We were incorporated on December 4, 2012, and have had limited profitable operations to date. Therefore, we have a limited profitable operating history upon which to evaluate the merits of investing in our company. The likelihood of success must be considered in light of the problems, expenses, difficulties, complications and delays encountered in connection with the operations that we plan to undertake. These potential problems include, but are not limited to, unanticipated problems relating to the ability to generate sufficient cash flow to operate our business, and additional costs and expenses that may exceed current estimates. However, we expect to continue generating revenues. Additionally, we recognize that if the effectiveness of our business plan is not forthcoming, we will not be able to continue business operations. If we are unsuccessful in addressing these risks, our business will most likely fail.

***We require significant funding to develop, manufacture and market our Ubiquitor wireless sensor.***

We may ultimately require up to \$20 million to fund the development, manufacturing, assembly and marketing strategy for the Ubiquitor. Once we achieve this fund-raising goal, we intend to position ourselves in the small device market, establishing the price at below a few hundred dollars. Due to superior functionality and low price, we expect to capture this section of the market easily. Once our product and service mature, and the Company becomes better known, we believe we could gain market share in the high-end market. None of this will be possible if we fail to obtain the funding we require. There is no guarantee that additional funding can be obtained on favorable terms, if at all.

***We depend on key personnel.***

Our future success will depend in part on the continued service of key personnel, particularly, Desheng Wang, our Chief Executive Officer, and Edward Lee, the Chairman of our Board.

If any of our directors and officers choose to leave the company, we will face significant difficulties in attracting potential candidates for replacement of our key personnel due to our limited financial resources and operating history. In addition, the loss of any key employees or the inability to attract or retain qualified personnel could delay our plan of operations and harm our ability to provide services to our current customer, Hydrofarm, and harm the market's perception of us.

***Regulatory actions could limit our ability to market and sell our products.***

Many of our products and the industries in which they are used are subject to U.S. and foreign regulation. Government regulatory action could greatly reduce the market for our Ubiquitor device and for smart home installation. For example, the power line grid, which is the communications grid that could be used by some of our products, is subject to special regulations in North America, Europe and Japan. In general, these regulations limit the ability of companies such as ours to use power lines as a communication medium. In addition, some of our competitors have attempted or may attempt to use regulatory actions to reduce the market opportunity for our products or to increase the market opportunity for their own products.

***We outsource our product manufacturing and are susceptible to problems in connection with procurement, decreasing quality, reliability and protectability.***

We assemble our Ubiquitor devices by using fully manufactured parts, the manufacturing of which has been fully outsourced. We have no direct control over the manufacturing processes of our products. This lack of control may increase quality or reliability risks and could limit our ability to quickly increase or decrease production rates.

***We outsource the manufacturing of key elements of our quantum light meters and air filters to a single manufacturing partner, with whom we do not have a formal contractual relationship.***

We outsource the manufacture of our quantum light meter and air filtration devices to a single contract manufacturer, Tianjin Guanglee Technologies Ltd. (“Tianjin Guanglee”). If Tianjin Guanglee’s operations are interrupted or if Tianjin Guanglee is unable to meet our delivery requirements due to capacity limitations or other constraints, we may be limited in our ability to fulfill new customer orders, and we may be required to seek new manufacturing partners in the future. Tianjin Guanglee has limited manufacturing capacity, is itself dependent upon third-party suppliers and is dependent on trained technical labor to effectively create components making up our devices or to repair special tooling. In addition, as of the date of this report, we do not have a formal development and manufacturing agreement that regulates our business relationship with Tianjin Guanglee. Although we continue to operate under the terms of an oral agreement, and we believe there are a multitude of manufacturers that could quickly replace Tianjin Guanglee, our manufacturing operations could be adversely impacted if we are unable to enforce Tianjin Guanglee’s performance.

***Our potential inability to adequately protect our intellectual property during the outsource manufacturing of our quantum light meters and filtration products in China could negatively impact our performance.***

In connection with our manufacturing outsourcing arrangements, we rely on third-party manufacturers to implement customary manufacturer safeguards onsite, such as the use of confidentiality agreements with employees, to protect our proprietary information and technologies during the manufacturing process. However, these safeguards may not effectively prevent unauthorized use of such information and technical knowhow or prevent the manufacturers from retaining them. We face risks that our proprietary information may not be afforded the same protection in China as it is in countries with more comprehensive intellectual property laws, and local laws may not provide an adequate remedy in the event of unauthorized disclosure of confidential information. Costly and time-consuming litigation could be necessary to enforce and determine the scope of our proprietary rights in China, and failure to obtain or maintain intellectual property or trade secret protection could adversely affect our competitive business position. If the third-party manufacturers of our proprietary products misappropriate our intellectual property, our business, prospects and financial condition could be materially and adversely affected.

***Our business operations in China may negatively affect our ability to protect our intellectual property and our financial position.***

On December 31, 2021, we set up a branch office in mainland China. Historically, China has not protected intellectual property rights to the same extent as the United States, and infringement of intellectual property rights continues to pose a serious risk of doing business in China. Monitoring and preventing unauthorized use is difficult. The measures we take to protect our intellectual property rights may not be adequate. Any unauthorized use of our intellectual property rights could harm our competitive advantages and business. Furthermore, the application of laws governing intellectual property rights in China is uncertain and evolving and could involve substantial risks to us. If we are unable to adequately protect our intellectual property rights, we may lose these rights and our business may suffer materially. Moreover, the complexities that arise from operating in a different tax jurisdiction inevitably led to an increased exposure to international taxation. Should review of our tax filings result in unfavorable adjustments, our operating results, cash flows, and financial position could be materially and adversely affected.

***The size and future growth in the market for our Ubiquitor device or our PLC technology has not been established with precision and may be smaller than we estimate, possibly materially. If our estimates and projections overestimate the size of this market, our sales growth may be adversely affected.***

Our estimates of the size and future growth in the market for our Ubiquitor device or our PLC technology is based on several internal studies, reports and estimates. In addition, our internal estimates are based on current feedback from clients using current generation technology and our belief is that the use and implementation of our technologies in the United States and worldwide will be extensive. While we believe we are using effective tools in estimating the total market for Ubiquitor device or our PLC technology, these estimates may not be correct and the conditions supporting our estimates may change at any time, thereby reducing the predictive accuracy of these underlying factors. The actual demand for our products or competitive products, could differ materially from our projections if our assumptions are incorrect. As a result, our estimates of the size and future growth in the market for the Ubiquitor device or our PLC technology may prove to be incorrect. If the demand is smaller than we have estimated, it may impair our projected sales growth and have an adverse impact on our business.

***If we are unable to properly forecast future demand of our products, our production levels may not meet demands, which could negatively impact our operating results.***

Our ability to manage our inventory levels to meet our customer's demand for our products is important for our business. Our production levels and inventory management are based on demand estimates six to twelve months forward considering supply lead times, production capacity, timing of shipments, and dealer inventory levels. If we overestimate or underestimate demand for any of our products during a given season, we may not maintain appropriate inventory levels, which could negatively impact our net sales or working capital, hinder our ability to meet customer demand, or cause us to incur excess and obsolete inventory charges.

***Demand for our Ubiquitor product may be affected by new entrants who copy our products and/or infringe on our intellectual property.***

The ability to protect and enforce intellectual property rights varies across jurisdictions. An inability to preserve our intellectual property rights may adversely affect our financial performance. Competitors and others may also initiate litigation to challenge the validity of our intellectual property or allege that we infringe their intellectual property. We may be required to pay substantial damages if it is determined our products infringe on their intellectual property. We may also be required to develop an alternative, non-infringing product that could be costly and time-consuming, or acquire a license on terms that are not favorable to us. Protecting or defending against such claims could significantly increase our costs, divert management's time and attention away from other business matters, and otherwise adversely affect our results of operations and financial condition.

***Internal system or service failures, including as a result of cyber or other security incidents, could disrupt business operations, result in the loss of critical and confidential information, and adversely impact our reputation, our business, financial condition, results of operations and cash flows. Our connected products potentially expose our business to cybersecurity threats.***

Some of our products connect to the internet and potentially expose our business to cybersecurity threats. Global cybersecurity threats and incidents can range from uncoordinated individual attempts to gain unauthorized access to our systems to sophisticated and targeted measures known as advanced persistent threats directed at our products, our customers and/or our third-party service providers, including cloud providers. There has been an increase in the frequency and sophistication of cyber and other security threats we face, and our customers are increasingly requiring cyber and other security protections and standards in our products, and we may incur additional costs to comply with such demands.

The potential consequences of a material cyber, or other security incident include financial loss, reputational damage, negative media coverage, litigation with third parties, which in turn could adversely affect our competitiveness, business, financial condition, results of operations and cash flows.

***Our sensor segment is subject to risks associated with operations as we diversify away from a single dominant customer.***

While in the past we were subject to volatility as a result of having only one dominant customer, diversification away from a single customer also poses some risks associated with the migration. While the company will possess more revenues streams, the migration away from a single steady customer poses risks as we begin to build new relationships. Along with new marketing efforts, we need to continue to cater to the needs of these new customers or the business may fluctuate or vanish.

***Our air filtration business segment could experience price fluctuations in raw materials, availability problems, and volatile demand.***

The principal raw materials that we use are filter media, activated charcoal, perforated metal sheet, and certain other petroleum-based products, like plastics, rubber, and adhesives. Our cost of filter media can experience price fluctuations. Larger competitors can enter selective supply arrangements with major suppliers that reduce medium-to-long-term volatility in costs. We cannot guarantee purchases in the volume that justifies such selective supply arrangements. Thus, we could be subject to price volatility.

***Prices and availability for the electronic parts and plastics we need to assemble the Ubiquitor could fluctuate.***

The principal raw materials that we use for our Ubiquitor device are standard industrial electronics parts and plastics that are generally easily available through a variety of U.S. domestic and foreign manufacturers. Such raw materials can experience price fluctuations due to a variety of factors, such as tariffs, import/export fees and delays, and availability. If there is scarcity, then larger competitors could be given purchasing priority with major suppliers that could make it so smaller companies like us experience volatility in costs and/or availability issues. Also, since we have not yet manufactured in large numbers, our management team might not have the expertise to mitigate such price fluctuations or availability concerns. Thus, suppliers could stop selling to us because of demand. Even though it is possible to find alternative suppliers, changing to new suppliers could delay production and affect the quality of certain products.

***Changes in tariffs, import or export restrictions, Chinese regulations or other trade barriers may reduce gross margins.***

We currently source products from manufacturers in China, including digital, analog, and quantum light meters, filtration products and certain components for our Ubiquitor device. Currently, the prices we offer to Hydrofarm are FOB (Free on Board) China. Only the cost of delivering the goods to the nearest port is included and Hydrofarm is responsible for the shipping from China and responsible for all other fees, including tariffs, associated with delivering the goods to the ultimate destination. If Hydrofarm changes the term to CIF (Cost, Insurance, and Freight) United States, then we would be responsible for the shipping costs and the tariff costs, which may reduce our gross margin. Thus, we may incur increases in costs due to changes in tariffs, import or export restrictions, other trade barriers, or unexpected changes in regulatory requirements, any of which could reduce our gross margins. Moreover, volatile economic conditions may impact the ability of our suppliers to make timely deliveries; and if a supplier fails to make a delivery, there is no guarantee that we will be able to timely locate an alternative supplier of comparable quality at an acceptable price.

Since the beginning of 2018, there has been increasing rhetoric, in some cases coupled with legislative or executive action, from several U.S. and foreign leaders regarding tariffs against imports of certain materials. It is difficult to anticipate the impact on our business caused by the proposed tariffs or whether the proposed changes in tariffs will materialize in the future. Given the relatively fluid regulatory environment in China and the United States, there could be additional tax, tariffs, or other regulatory changes in the future. Any such changes could directly and materially adversely impact our business, financial condition, and operating results.

***Our failure to respond to rapid change in the technology markets could cause us to lose revenue and harm our competitive position.***

Our future success will depend significantly on our ability to develop and market new products that keep pace with technological developments and evolving industry standards for technology. We are currently developing products, including our Ubiquitor device, universal smart monitors, and controllers, distributed shared universal smart home products, and smart products for the gardening industry, for MacOS, PC, as well as mobile operating systems such as Android and iOS, that transmit data over Wi-Fi signals, cellular signals, Bluetooth, certain power line systems, traditional wired systems, and other radio frequency systems that enable data transmission. Our delay or failure to develop or acquire technological improvements, adapt our products to technological changes or provide technology that appeals to our customers may cause us to lose customers and may prevent us from generating revenue which could ultimately cause us to cease operations.

***Our business depends on our ability to keep manufacturing costs low; and we may lack the expertise necessary to negotiate and maintain favorable pricing, supply, business and credit terms with our potential vendors.***

It may be difficult to negotiate or maintain favorable pricing, supply, business or credit terms with our potential vendors, suppliers and service providers. In addition, product manufacturing costs may increase if we fail to achieve anticipated volumes. There can be no assurance that we will be able to successfully manage these risks. In summary, we can offer no assurance that we will be able to obtain a sufficient (but not excess) supply of products on a timely and cost-effective basis. Our failure to do so would lead to a material adverse impact on our business.

***Since wireless networks are susceptible to interference and other limitations, and one advantage of our Ubiquitor device and our USIP platform is that it can connect to wireless networks as one way to transmit data, wireless network limitations may reduce the competitive advantage of the Ubiquitor and USIP platform in the marketplace.***

Our Ubiquitor and USIP platform relies on both wired and wireless networks to transmit data, which is a major advantage of the Ubiquitor device and the USIP platform. Wireless networks allow multiple users to access large amounts of information without the hassle of running wires to and from each IoT device. However, wireless networks have technological limitations and there are several disadvantages that our Ubiquitor device may face when using a wireless network. Wireless networks are typically expensive; it can cost up to four times more to set up a wireless network than to set up a wired network. The range of a wireless network is limited, and a typical wireless router will only allow individuals located within 150 to 300 feet to access the network. Wireless networks are extremely susceptible to interference from radio signals, radiation, and other similar types of interference. Such interference may cause a wireless network to malfunction. Wireless networks can be accessed by any IoT device within range of the network's signal so information transmitted through the network (including encrypted information) may be intercepted by unauthorized users. Wireless networks are typically slower than wired networks, sometimes even up to 10 times slower. Walls and floors can seriously limit the range of your wireless network. Since wireless networks have severe limitations, these limitations may reduce the competitive advantage that the Ubiquitor provides in the marketplace which might prevent widespread adoption.

***Demand for our products is uncertain and depends on our currently unproven ability to create and maintain superior performance.***

Our future operating results will depend upon our ability to provide our products or services and to operate profitably in an industry characterized by intense competition, rapid technological advances, and low margins. This, in turn, will depend on several factors, including:

- Our ability to generate significant sales and profit margin from the Ubiquitor device;
- Worldwide market conditions and demand for sensor devices and other products we may continue to add as we move forward;
- Our success in meeting targeted availability dates for our products and services;

- Our ability to develop and commercialize new intellectual property and to protect existing intellectual property;
- Our ability to maintain profitable relationships with our distributors, retailers and other resellers;
- Our ability to maintain an appropriate cost structure;
- Our ability to attract and retain competent, motivated employees;
- Our ability to comply with applicable legal requirements throughout the world; and
- Our ability to successfully manage litigation, including enforcing our rights, protecting our interests, and defending claims made against us.

These factors are difficult to manage, satisfy and influence and we cannot provide any assurance that we will be able to generate significant demand for and sales of our products.

***The Ubiquitor device could fail to gain traction in the marketplace for several reasons that would adversely impact our financial results and cause our investors to lose money.***

Future rollout of the Ubiquitor entail numerous risks such as:

- Any lack of market acceptance of the Ubiquitor;
- Failure to maintain acceptable arrangements with product suppliers, particularly considering lower than anticipated volumes;
- Manufacturing, technical, supplier, or quality-related delays, issues, or concerns, including the loss of any key supplier or failure of any key supplier to deliver high quality products on time;
- Competition;
- Potential declines in demand for sensor devices; and
- Risks that third parties may assert intellectual property claims against our products.

To compete successfully, we must accurately forecast demand, closely monitor inventory levels, secure quality products, continuously drive down costs, meet aggressive product price and performance targets, create market demand for our brand and hold sufficient, but not excess, inventory.



***Our Ubiquitor device greatly depends on the growth and adoption of the IoT market, and other next-generation internet and smartphone-based applications.***

The Internet may ultimately prove not to be a viable commercial marketplace for IoT applications for several reasons, including:

- unwillingness of consumers to shift to and use other such next-generation Internet-based, smartphone-assisted applications;
- refusal to purchase our products and services;
- perception by end-users with respect to the quality of our wireless sensors in an industry historically dominated by wired sensors;
- competition;
- inadequate development of smartphone infrastructure to keep pace with increased levels of use; and
- increased government regulations in a relatively unregulated marketplace.

***There is a risk that the market will not adapt to using the smartphone readout as a substitute platform for sensor devices, causing our products to fail in the marketplace.***

Most products on the small sensor device market do not currently use smartphones to collect and analyze sensor data. There is no guarantee that using smartphone technology will cut production costs and be well received. If our USIP using smartphone technology is not well received, there is a risk that device manufacturers will develop new monitoring and operating components that are incompatible with our current platform instead of developing the traditional sensors that are compatible with our technology. Updating our platform to stay compatible with new components could increase our costs unexpectedly.

***Using wireless transmission technologies such as Wi-Fi and Bluetooth may create security risks.***

There is also a risk of failure based on the wireless transmission of data used by our smartphone platform. If there is instability in a wireless network, Bluetooth sensor, or other network problems that are out of our control, our new platform may not be well received. Our smartphone platform relies on the wireless transmission of data through Wi-Fi networks and Bluetooth sensors. These networks are often deemed less secure than a hard-wired network. The security of a wireless network is often out of our control. However, any breach of security could result in the market and sensor device manufacturers to fail to embrace our platform.

***Our business involves the use, transmission and storage of confidential information, and the failure to properly safeguard such information could result in significant reputational harm.***

We may at times collect, store, and transmit information of, or on behalf of, our clients that may include certain types of confidential information that may be considered personal or sensitive, and that are subject to laws that apply to data breaches. We believe that we take reasonable steps to protect the security, integrity, and confidentiality of the information we collect and store, but there is no guarantee that inadvertent or unauthorized disclosure will not occur or that third parties will not gain unauthorized access to this information despite our efforts to protect this information, including through a cyber-attack that circumvents existing security measures and compromises the data that we store. If such unauthorized disclosure or access does occur, we may be required to notify persons whose information was disclosed or accessed. Most states have enacted data breach notification laws and, in addition to federal laws that apply to certain types of information, such as financial information, federal legislation has been proposed that would establish broader federal obligations with respect to data breaches. We may also be subject to claims of breach of contract for such unauthorized disclosure or access, investigation and penalties by regulatory authorities and potential claims by persons whose information was disclosed. The unauthorized disclosure of information, or a cyber-security incident involving data that we store, may result in the termination of one or more of our commercial relationships or a reduction in client confidence and usage of our services. We may also be subject to litigation alleging the improper use, transmission, or storage of confidential information, which could damage our reputation among our current and potential clients and cause us to lose business and revenue.

***Product liability associated with the production, marketing, and sale of our products, and/or the expense of defending against claims of product liability, could materially deplete our assets and generate negative publicity which could impair our reputation.***

The production, marketing and sale of digital products have inherent risks of liability in the event of product failure or claim of harm caused by product operation. Furthermore, even meritless claims of product liability may be costly to defend against. We do not currently have product liability insurance for our products. We may not be able to obtain this insurance on acceptable terms or at all. Because we may not be able to obtain insurance that provides us with adequate protection against all or even some potential product liability claims, a successful claim against us could materially deplete our assets. Moreover, even if we can obtain adequate insurance, any claim against us could generate negative publicity, which could impair our reputation and adversely affect the demand for our products, our ability to generate sales and our profitability. For the products we sell through Hydrofarm, we also do not carry product liability insurance. It is our management's position that these handheld battery-operated products do not carry substantial product liability risk and to the extent there are any product liability risks, such risks are born by Hydrofarm, who does carry product liability insurance coverage for the products we provide to them, and they sell to their customers. However, it is possible that we could face liability in a products liability lawsuit for manufacturing defects or defective design since we design or manufacture the products sold by Hydrofarm.

Some of the agreements that we may enter with manufacturers or distributors of our products and components of our products may require us:

- to obtain product liability insurance; or
- to indemnify manufacturers against liabilities resulting from the sale of our products.

If we are not able to obtain and maintain adequate product liability insurance, then we could be in breach of these agreements, which could materially adversely affect our ability to produce our products and generate revenues. Even if we can obtain and maintain product liability insurance, if a successful claim in excess of our insurance coverage is made, then we may have to indemnify some or all of our manufacturers or distributors for their losses, which could materially deplete our assets.

***We may not be able to identify suitable acquisition targets or otherwise successfully implement a growth strategy reliant on mergers and acquisitions.***

To expand our business, we hope to pursue mergers and acquisitions to acquire new or complementary businesses, services or technologies. We expect to continue evaluating potential strategic acquisitions of businesses, services, and technologies. However, we may not be able to identify suitable candidates, negotiate appropriate or favorable acquisition terms, obtain financing that may be needed to consummate such transactions or complete proposed acquisitions. Any such future mergers and acquisitions would be accompanied by the risks commonly encountered in acquisitions of companies, including, among other things, the difficulty of integrating the operations and personnel of the acquired companies; the potential disruption of the Company's ongoing business; the inability of management to incorporate successfully acquired technology and rights into the Company's services and product offerings; additional expense associated with amortization of acquired intangible assets; the maintenance of uniform standards, controls, procedures and policies; and the potential impairment of relationships with employees, customers and strategic partners.

***Our growth strategy includes licensing our intellectual property, and we run the risk that a licensee could become a competitor.***

As part of our growth strategy, we anticipate licensing our intellectual property. Licensing our intellectual property could potentially damage our business if a licensee becomes a competitor, especially once the statutory rights to our intellectual property have expired or the licensing arrangement with a licensee has terminated. A licensee could develop modifications of our intellectual property and choose to compete with us in the marketplace. Litigation may be necessary to protect our rights to our intellectual property. Even if we are successful, litigation could result in substantial costs and be a distraction to our management team. If we are not successful, we could lose valuable intellectual property rights.

***Product defects could result in costly fixes, litigation, and damages.***

Our business exposes us to potential product liability risks that are inherent in the design, manufacture, and sale of our products. If there are claims related to defective products (under warranty or otherwise), particularly in a product recall situation, we could be faced with significant expenses in replacing or repairing the product. For example, our filtration products or Ubiquitor devices obtain raw materials, machined parts and other product components from suppliers who provide certifications of quality which we rely on. Should these product components be defective and pass undetected into finished products, or should a finished product contain a defect, we could incur significant costs for repairs, re-work and/or removal and replacement of the defective product. In addition, if a dispute over product claims cannot be settled, arbitration or litigation may result, requiring us to incur attorneys' fees and exposing us to the potential of damage awards against us.

***Only two officers have public company experience on our management team which could adversely impact our ability to comply with the reporting requirements of U.S. securities laws.***

Amongst our officers, only Dr. Desheng Wang, our CEO, and Irving Kau, our CFO, have public company experience. Our CEO and CFO are ultimately responsible for complying with federal securities laws and making required disclosures on a timely basis. Any such deficiencies, weaknesses or lack of compliance could have a materially adverse effect on our ability to comply with the reporting requirements of the Securities Exchange Act of 1934, as amended, which is necessary to maintain our public company status. If we were to fail to fulfill those obligations, our ability to continue as a U.S. public company would be in jeopardy in which event you could lose your entire investment in our Company.

***Some of our officers, directors, consultants, and advisors are involved in other businesses and not obligated to commit their time and attention exclusively to our business and therefore they may encounter conflicts of interest with respect to the allocation of time and business opportunities between our operations and those of other businesses.***

Another example of a conflict of interest are so called "self-dealing" transactions. If a conflict-of-interest transaction is negotiated and approved, in a manner that approximates arms-length negotiations, the transaction is accepted unless a shareholder proves in court that the transaction is not entirely fair to the company or its shareholders. The burden is on the shareholder to show lack of entire fairness. A self-dealing transaction is considered invalid if challenged, unless the interested director proves in court that the transaction is entirely fair to the Company. The burden is on the director to show entire fairness.

If, because of these conflicts, we may be deprived of business opportunities or information, the execution of our business plan and our ability to effectively compete in the marketplace may be adversely affected. If our audit committee becomes aware of such conflict of interests, we will take an immediate action to resolve it. Each conflict of interest will be handled by the Company based on the nature of the conflict and the individual involved in it.

We are not aware of any current or potential conflict of interests with our consultants or advisors.

***We have concluded that we have not maintained effective internal control over financial reporting through the years ended December 31, 2022, and December 31, 2021. Significant deficiencies and material weaknesses in our internal control could have material adverse effects on us.***

It is important for us to maintain effective internal control over financial reporting, which is a process designed 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. Because of its 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.

A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis.

A material weakness in our internal control over financial reporting could adversely impact our ability to provide timely and accurate financial information. If we are unsuccessful in implementing or following our remediation plan, we may not be able to timely or accurately report our financial condition, results of operations or cash flows or maintain effective disclosure controls and procedures. If we are unable to report financial information timely and accurately or to maintain effective disclosure controls and procedures, we could be subject to, among other things, regulatory or enforcement actions by the SEC, any one of which could adversely affect our business prospects.

***Our executive officers and directors collectively have the power to control our management and operations and have a significant majority in voting power on all matters submitted to the stockholders of the Company.***

Our CEO and one of our directors, Dr. Desheng Wang, owns 33.345% of the outstanding shares of our common stock as of the date of this report. Two of our directors together own over 50% of the outstanding shares of our common stock. Accordingly, our directors have a significant influence in determining the outcome of all corporate transactions or other matters, including mergers, consolidations, and the sale of all or substantially all of our assets. They also have the power to prevent or cause a change in control. The interests of our directors may differ from the interests of the other stockholders and thus result in corporate decisions that are disadvantageous to other shareholders.

Management currently beneficially owns most of our outstanding common stock. Consequently, management can influence control of the operations of the Company and, acting together, will have the ability to influence or control substantially all matters submitted to stockholders for approval, including:

- Election of our board of directors;
- Removal of directors;
- Amendment to the Company's Articles of Incorporation or Bylaws; and
- Adoption of measures that could delay or prevent a change in control or impede a merger, takeover or other business combination.

These stockholders have complete control over our affairs. Accordingly, this concentration of ownership by itself may have the effect of impeding a merger, consolidation, takeover or other business consolidation, or discouraging a potential acquirer from making a tender offer for the common stock.

***If we fail to maintain an effective system of internal control over financial reporting, we may not be able to accurately report our financial results. As a result, current and potential shareholders could lose confidence in our financial reporting, which would harm our business and the trading price of our stock.***

Members of our Board of Directors are inexperienced with U.S. GAAP and the related internal control procedures required of U.S. public companies. Management has determined that our internal audit function is also significantly deficient due to insufficient qualified resources to perform internal audit functions.

We are a smaller reporting company with limited resources. Therefore, we cannot assure investors that we will be able to maintain effective internal controls over financial reporting based on criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”) in Internal Control-Integrated Framework. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company’s annual or interim financial statements will not be prevented or detected on a timely basis. The Company has deficiencies over financial statements in areas of recording revenue and expenses in proper cut off as well as proper classification of accounts. For these reasons, we are considering the costs and benefits associated with improving and documenting our disclosure controls and procedures and internal controls and procedures, which includes (i) hiring additional personnel with sufficient U.S. GAAP experience and (ii) implementing ongoing training in U.S. GAAP requirements for our CFO and accounting and other finance personnel. If the result of these efforts are not successful, or if material weaknesses are identified in our internal control over financial reporting, our management will be unable to report favorably as to the effectiveness of our internal control over financial reporting and/or our disclosure controls and procedures, and we could be required to further implement expensive and time-consuming remedial measures and potentially lose investor confidence in the accuracy and completeness of our financial reports which could have an adverse effect on our stock price and potentially subject us to litigation.

***The requirements of being a public company may strain our resources and distract our management.***

We are required to comply with various regulatory and reporting requirements, including those required by the Securities and Exchange Commission. Complying with these reporting and other regulatory requirements is time-consuming and may result in increased costs to us and could have a negative effect on our business, results of operations and financial condition.

As a public company, we are subject to the reporting requirements of the Securities Exchange Act of 1934, as amended, or the Exchange Act, and requirements of the Sarbanes-Oxley Act of 2002, as amended, or SOX. These requirements may place a strain on our systems and resources. The Exchange Act requires that we file annual, quarterly, and current reports with respect to our business and financial condition. SOX requires that we maintain effective disclosure controls and procedures and internal controls over financial reporting. Compliance with these rules and regulations will increase our legal and financial compliance costs, make some activities more difficult, time-consuming, or costly and increase demand on our systems and resources.

These activities may divert management’s attention from other business concerns, which could have a material adverse effect on our business and results of operations.

In addition, changing laws, regulations and standards relating to corporate governance and public disclosure are creating uncertainty for public companies, increasing legal and financial compliance costs, and making some activities more time consuming. These laws, regulations and standards are subject to varying interpretations, in many cases due to their lack of specificity, and, as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies. This could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices. We intend to invest resources to comply with evolving laws, regulations and standards, and this investment may result in increased general and administrative expenses and a diversion of management’s time and attention from revenue-generating activities to compliance activities. If our efforts to comply with new laws, regulations and standards differ from the activities intended by regulatory or governing bodies due to ambiguities related to practice, regulatory authorities may initiate legal proceedings against us and our business may be harmed.

We also expect that being a public company and these new rules and regulations will make it more expensive for us to obtain director and officer liability insurance, and we may be required to accept reduced coverage or incur substantially higher costs to obtain coverage. These factors could also make it more difficult for us to attract and retain qualified members of our Board of Directors, particularly to serve on our audit committee and compensation committee, and qualified executive officers.

## **Risks Related to the Ownership of our Common Stock**

### ***Our shares may be affected by short selling practices which may decrease the stock price.***

The Company believes that certain individuals and/or companies may have engaged in manipulative and/or suspected illegal trading practices that may artificially depress our share price. There is great concern in today's market environment regarding the potential targeting of publicly traded companies in a market manipulation scheme involving illegal naked short selling of stock. The Company finds such suspected manipulation completely unacceptable as it distorts the value of the Company and negatively impacts shareholders who have invested their hard-earned money. We are considering engaging third party service providers to further investigate these practices by aggregating and analyzing repository data from reporting entities, broker-dealers and shareholders enabling us to proactively track shareholder ownership, identify parties involved in suspicious, aberrant, or unusual trading activity and deploy corrective action steps to help curtail such activity.

The SEC and other regulatory and self-regulatory authorities have implemented various rules and taken certain actions, and may in the future adopt additional rules, and take other actions, that may impact those engaging in short selling activity involving equity securities (including our common stock). Such rules and actions include Rule 201 of SEC Regulation SHO, the adoption by the Financial Industry Regulatory Authority, Inc. and the national securities exchanges of a "Limit Up-Limit Down" program, the imposition of market-wide circuit breakers that halt trading of securities for certain periods following specific market declines, and the implementation of certain regulatory reforms required by the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010. Any governmental or regulatory action that restricts the ability of investors to effect short sales of our common stock, borrow our common stock or enter into swaps on our common stock could adversely affect the trading price and liquidity of our shares.

### ***An increase of free trading shares of our common stock could result in substantial sales of common stock on the open market which could cause our stock price to fall substantially.***

In 2018, we registered 19,904,706 shares of our common stock for more than 300 shareholders, which is substantially more than the 18,018,039 shares of common stock that are currently free trading. Any increase in freely trading shares, or the perception that such shares will or could come onto the market could have an adverse effect on the trading price of the stock. No prediction can be made as to the effect, if any, that sales of these shares, or the availability of such shares for sale, will have on the market prices prevailing from time to time. Nevertheless, the possibility that substantial amounts of common stock may be sold in the public market may adversely affect prevailing market prices for our common stock and could impair our ability to raise capital through the sale of our equity securities or impair our shareholders' ability to sell on the open market.

### ***You could be diluted from our future issuance of capital stock and derivative securities.***

As of December 31, 2022, we had 43,530,915 shares of common stock outstanding and no shares of preferred stock outstanding. We are authorized to issue up to 75,000,000 shares of common stock and no shares of preferred stock. To the extent of such authorization, our Board of Directors will have the ability, without seeking stockholder approval, to issue additional shares of common stock or preferred stock in the future for such consideration as the Board of Directors may consider sufficient. The issuance of additional common stock or preferred stock in the future may reduce a shareholder's proportionate ownership and voting power.

### ***Substantial future sales of our common stock, or the perception in the public markets that these sales may occur, may depress our stock price.***

Sales of substantial shares of our common stock in the public market, or the perception that these sales could occur, could adversely affect the price of our common stock and could impair our ability to raise capital through the sale of additional shares.

In the future, we may issue our securities if we need to raise capital in connection with a capital raise or acquisitions. The number of shares of our common stock issued in connection with a capital raise or acquisition could constitute a material portion of our then-outstanding shares of our common stock and have a dilutive effect on our shareholders which could have a material negative effect on our stock price.

***Future sales of our common stock by existing stockholders could cause our stock price to decline.***

If our existing stockholders sell substantial shares of our common stock in the public market, then the market price of our common stock could decrease significantly. The perception in the public market that our stockholders might sell shares of common stock also could depress the market price of our common stock. There are approximately 43,229,653 shares of our common stock outstanding as of March 22, 2023, of which approximately 17,946,923 shares are currently freely tradable.

Certain existing holders of most of our common stock have rights, subject to certain conditions, to require us to file registration statements covering their shares or to include their shares in registration statements that we may file for ourselves or other shareholders. If the sale of these shares are registered, they will be freely tradable without restriction under the Securities Act. In the event such registration rights are exercised and many shares of common stock are sold in the public market, such sales could reduce the trading price of our common stock.

A decline in the price of shares of our common stock might impede our ability to raise capital through the issuance of additional shares of our common stock or other equity securities.

***We do not intend to pay dividends and there will be less ways in which you can make a gain on any investment in Focus Universal Inc.***

We have never paid any cash dividends and currently do not intend to pay any dividends for the foreseeable future. To the extent that we require additional funding currently not provided for in our financing plan, our funding sources may likely prohibit the payment of a dividend. Because we do not intend to declare dividends, any gain on an investment in Focus Universal Inc. will need to come through appreciation of the stock's price.

***Sales of a substantial number of shares of our common stock in the public market by certain of our shareholders could cause our stock price to fall.***

Sales of a substantial number of shares of our common stock in the public market, or the perception that these sales might occur, could depress the market price of our common stock, and could impair our ability to raise capital through the sale of additional equity securities. We are unable to predict the effect that sales may have on the prevailing market price of shares of our common stock.

***An active trading market for our common stock may not be maintained.***

Our common stock is currently listed on the Nasdaq Global Market under the symbol "FCUV," but we can provide no assurance that we will be able to maintain an active trading market on this or any other exchange in the future. A lack of an active market may impair the ability of our stockholders to sell shares at the time they wish to sell or at a price that they consider favorable. The lack of an active market may also reduce the fair market value of our common stock, impair our ability to raise capital by selling shares of capital stock and may impair our ability to use common stock as consideration to attract and retain talent or engage in business transactions (including mergers and acquisitions). In 2021, our common stock was listed on the Nasdaq Capital Market. Our stock was uplisted onto the Nasdaq Global Market on January 28, 2022.

***Our shares of common stock are only recently listed on NASDAQ, and we may not be able to maintain the continued listing standards.***

NASDAQ requires companies to fulfill specific requirements in order for their shares to continue to be listed. There is no guarantee that our common stock will maintain NASDAQ continued listing standards and we may be delisted. If our common stock is delisted from NASDAQ, our shareholders could find it difficult to sell their common stock.

If the shares of our common stock were to be delisted from NASDAQ, we expect that it would be traded on the OTCQB or OTCQX marketplaces, which are unorganized, inter-dealer, over-the-counter markets that provide significantly less liquidity than NASDAQ or other national securities exchanges. Thus, a delisting from NASDAQ may have a material adverse effect on the trading and price of our common stock.

***If we are unable to maintain compliance with NASDAQ continued listing standards, including maintenance of at least \$2.5 million of stockholders' equity and maintenance of a \$1.00 minimum bid price, our common stock may be delisted from NASDAQ.***

There can be no assurances that we will be able to maintain our NASDAQ listing in the future. In the event we are unable to maintain compliance with NASDAQ continued listing standards and our common stock is delisted from NASDAQ, it could likely lead to a number of negative implications, including an adverse effect on the price of our common stock, reduced liquidity in our common stock, the loss of federal preemption of state securities laws and greater difficulty in obtaining financing. In the event of a delisting, we would take actions to restore our compliance with NASDAQ's continued listing standards, but we can provide no assurance that any such action taken by us would allow our common stock to become listed again, stabilize the market price or improve the liquidity of our common stock, prevent our common stock from dropping below the NASDAQ minimum bid price requirement or prevent future non-compliance with NASDAQ's continued listing requirements.

#### **Risks Related to Our Acquisition of AVX**

***If we are unable to manage our anticipated post-acquisition growth effectively, our business could be adversely affected.***

We anticipate that because of the significant expansion of our operations and addition of operating subsidiaries, new personnel may be required in all areas of our operations to continue to implement our post-acquisition business plan. Our future operating results depend to a large extent on our ability to manage this expansion and growth successfully. For us to continue to manage such growth, we must put in place legal and accounting systems and implement human resource management and other tools. We have taken preliminary steps to put this structure in place. However, there is no assurance that we will be able to successfully manage this anticipated rapid growth. A failure to manage our growth effectively could materially and adversely affect our profitability.

***Increasing competition within our industry could have an impact on our business prospects.***

The IoT market is a growing industry where new competitors are entering the market frequently. These competing companies may have significantly greater financial and other resources than we have and may have been developing their products and services longer than we have been developing ours. Although our portfolio of products and related revenue stream sources are broad, increasing competition may have a negative impact on our profit margins.

***The success of our smart home installation business will depend upon the efforts of management of our subsidiary AVX.***

We can offer no assurance that we will be able to retain or effectively recruit new additional personnel. The departure of any key members of AVX's management team could make it more difficult to operate AVX. Moreover, to the extent that we will rely upon their management team to operate AVX, we will be subject to risks regarding their managerial competence. Accordingly, we cannot assure you that our assessment of these individuals will prove to be correct and that they will have the skills, abilities, and qualifications we expect.

***If we are unable to integrate the Ubiquitor device into the smart home installation business, we may not be able to distinguish ourselves in the segment and that could negatively affect our ability to operate in the competitive smart home installation industry.***

The smart home installation business is a highly competitive market, and we have numerous competitors who are already well-established in the market. We expect our competitors to continue improving the design and performance of their products and to introduce new products that could be competitive in both price and performance. The reason we believe that we could become competitive in this market segment is because we anticipate integrating the Ubiquitor device into AVX's smart home installations. However, there is no guarantee that we can integrate the Ubiquitor device into AVX's smart home installations. If we are unable to integrate the Ubiquitor device into smart home installations, we will not be able to achieve the competitive price and performance we anticipate achieving success in AVX's future smart home installations. Alternatively, we may not be able to achieve a smart home installation at a cost-effective price that is sufficient to distinguish us from amongst the competition in this market segment.



**Item 1B. UNRESOLVED STAFF COMMENTS**

None.

**Item 2. PROPERTIES**

In September 2018, we purchased a manufacturing warehouse and office space addressed at 2311 East Locust Court, Ontario, CA, 91761. The property consists of an industrial type, two-story building, with a total building area of 30,740 square feet. Ten thousand square feet will be utilized for office space; and 20,000 square feet for warehouse space. The property includes 58 parking spaces. The purchase price for the property was approximately \$4.62 million dollars.

**Item 3. LEGAL PROCEEDINGS**

On or about April 13, 2020, Ian Patterson, the Chief Operations Officer of AVX resigned from his position. On May 5, 2020, Mr. Patterson filed an action in the Superior Court for the County of Los Angeles, State of California, against the Company, et al. The complaint alleges claims including discrimination, wrongful termination, retaliation and various other provisions of the California Labor Code, and various other claims under California state law. The complaint seeks unspecified economic and non-economic losses, as well as attorneys' fees. In response to the Complaint, defendants filed a motion to compel arbitration asking the court to order Plaintiff to submit his claims to binding individual arbitration based on an arbitration agreement signed by Plaintiff at the outset of his employment. The motion was unfortunately denied, and in response, defendants filed an appeal. The appeal was also denied. Trial for this matter is not set, nor has discovery been conducted. AVX intends to vigorously contest this matter. Further, AVX disputes that the other defendants are proper parties to the litigation. However, litigation and investigations are inherently uncertain, but the outcome could have a material impact on the Company.

On or about April 14, 2020, Devesa Sarria, the Sales and Marketing Director, was terminated. On May 13, 2020, she filed an action in the Superior Court for the County of Los Angeles, State of California. The Complaint alleges claims including discrimination, wrongful termination, retaliation and various other provisions of the California Labor Code, and various other claims under California state law. The complaint seeks unspecified economic and non-economic losses, as well as attorneys' fees. We have completed written discovery and most of the non-expert discovery. Trial is set for October 11, 2023. AVX intends to vigorously contest this matter. Further, AVX disputes that the other defendants are proper parties to the litigation. However, litigation and investigations are inherently uncertain, but the outcome could have a material impact on the Company.

**Item 4. MINE SAFETY DISCLOSURES**

Not applicable to our Company.

## PART II

### Item 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

#### Market Information

On August 31, 2021, the Company commenced the trading of its common stock on the Nasdaq Capital Market under the symbol "FCUV." On January 28, 2022, the Company commenced trading of its common stock on the Nasdaq Global Market under the symbol "FCUV." On March 22, 2022, the last reported sale price of our common stock as reported on the Nasdaq Global Market was \$3.84 per share.

On September 23, 2014, our common stock was verified for trading on the OTCQB Market under the trading symbol "FCUV." Prior to that time, there was no public market for our stock. The following table sets forth for the indicated periods the high and low intra-day sales price per share for our common stock on the Nasdaq Capital Market (as applicable) for the four quarters of 2021 and 2022. As of March 22, 2023, our common stock trades upon the Nasdaq Global Market.

	High	Low
2021: First Quarter	\$ 4.25	\$ 3.56
2021: Second Quarter	\$ 10.00	\$ 4.25
2021: Third Quarter	\$ 25.25	\$ 4.49
2021: Fourth Quarter	\$ 15.52	\$ 7.33
2022: First Quarter	\$ 14.17	\$ 6.18
2022: Second Quarter	\$ 14.58	\$ 10.00
2022: Third Quarter	\$ 16.43	\$ 9.38
2022: Fourth Quarter	\$ 13.49	\$ 5.90

#### Holders.

As of March 22, 2022, there were 366 record holders of 43,229,653 shares of the Company's common stock. The number of record holders was determined from the records of our transfer agent and does not include beneficial owners of common stock whose shares are held in the names of various security brokers, dealers, and registered clearing agencies. The transfer agent of our common stock is VStock Transfer, LLC.

#### Dividends.

The Company has not paid any cash dividends to date and does not anticipate or contemplate paying dividends in the foreseeable future. It is the present intention of management to utilize all available funds for the development of the Company's business. However, we cannot provide any assurance that we will or will not declare or pay cash dividends on our common stock. Any future determination to declare cash dividends will be made at the discretion of our Board of Directors, subject to applicable laws, and will depend on our financial condition, results of operations, capital requirements, general business conditions and other factors that our Board of Directors may deem relevant.

## Securities Authorized for Issuance Under Equity Compensation Plans

On December 15, 2018, our Board of Directors presented the 2018 Equity Incentive Plan to the shareholders. On December 17, 2018, the holders of 63.051% of our issued and outstanding shares of common stock adopted a resolution by written consent without a meeting adopting the 2018 Equity Incentive Plan. The plan reserves an aggregate of 1,000,000 shares of the Company's common stock, which provides for the payment of various forms of incentive compensation to employees, consultants, executives, and directors of the Company. The 2018 Equity Incentive Plan provides for the grant of the following types of stock awards: (i) incentive stock options; (ii) non-statutory stock options; (iii) stock appreciation rights; (iv) restricted stock awards; (v) restricted stock unit awards; and (vi) other stock awards. Under the 2018 Equity Incentive Plan, a ten percent stockholder will not be granted an incentive stock option unless the exercise price of such option is at least one hundred and ten percent of the fair market value on the date of grant and the option is not exercisable after the expiration of five years from the grant date. The Board of Directors determines the vesting schedule of the grants with broad discretion. On August 6, 2019, each member of the Board was granted 30,000 options to purchase shares at \$5.70 per share. On December 11, 2020, each member of the Board was granted 15,000 options to purchase shares at \$3.00 per share. On December 31, 2021, each member of the Board was granted 15,000 options to purchase shares at \$8.86 per share. On December 30, 2022, each member of the Board was granted 15,000 options to purchase shares at \$6.41 per share.

## Recent sales of unregistered securities.

None.

## Issuer Purchases of Equity Securities

We did not repurchase any of our equity securities during the years ended December 31, 2021, 2020, 2019, 2018, 2017, the nine months ended December 31, 2016, the year ended March 31, 2016, 2015, 2014 or the period from December 4, 2012 (inception) to March 31, 2013.

## Item 6. [RESERVED]

## Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*The following discussion should be read in conjunction with our audited financial statements and notes thereto included herein. In connection with, and because we desire to take advantage of, the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, we caution readers regarding certain forward-looking statements in the following discussion and elsewhere in this report and in any other statement made by, or on our behalf, whether in future filings with the Securities and Exchange Commission. Forward-looking statements are statements not based on historical information and which relate to future operations, strategies, financial results or other developments. Forward-looking statements are necessarily based upon estimates and assumptions that are inherently subject to significant business, economic and competitive uncertainties, and contingencies, many of which are beyond our control and many of which, with respect to future business decisions, are subject to change. These uncertainties and contingencies can affect actual results and could cause actual results to differ materially from those expressed in any forward-looking statements made by, or our behalf. We disclaim any obligation to update forward-looking statements.*

Focus Universal Inc., a Nevada corporation (the "Company," "we," "us," or "our"), has developed the five proprietary platform technologies described in the Business Section, starting on page 1. These are: (1) device on a chip; (2) universal smart instrumentation platform ("USIP"); (3) ultra-narrowband technology; (4) ultra-narrowband power line communication ("PLC") technology; and (5) natural integrated programming language ("NIPL").

Our main sources of revenue are derived from our sales of sensor devices and our wholesaling of various digital, analog, and quantum light meters and filtration products, including fan speed adjusters, carbon filters and HEPA filtration systems. We source these products from manufacturers in China and then sell them to a major U.S. distributor, Hydrofarm, who resells our products directly to consumers through its established retail distribution channels and, in some cases, places its own branding on our products. For the year ended December 31, 2021, our primary source of revenue was from sales of these agricultural sensors and measurement equipment sold through Hydrofarm. Hydrofarm was not our primary source of revenue for the year ended December 31, 2022.

For a greater description of our technologies, our business segments and the products we are currently selling, see “Part I – Item 1. Business” above.

#### Ubiquitor Wireless Universal Sensor Device

Our USIP technology is an advanced software and hardware integrated instrumentation platform that uses a large-scale modular design approach. The large-scale modular design approach subdivides instruments into a foundation component (a USIP) and architecture-specific components (sensor nodes). The USIP has an open architecture, incorporating a variety of individual instrument functions, sensors, and probes from different industries and vendors. The platform features the ability to connect potentially thousands of different sensors or probes, addressing major limitations present in traditional instrumentation systems. The result of such integration is a smaller, cheaper, and faster circuit system design than those currently offered in the instrumentation market.

The USIP, which is compatible with a significant percentage of the instruments currently manufactured, consists of universal and reusable hardware and software. The universal hardware in the USIP is (i) a smartphone, computer, or any mobile device capable of running our software that includes a display and either hardware controls or software control surfaces, and (ii) our Ubiquitor.

We have created and assembled prototype models of the Ubiquitor in limited quantities and plan to expand our assembly in 2023. Our prototype Ubiquitor is compatible with standard desktop computers running Windows OS or MacOS and Android- or iOS-based mobile devices, and acts as a conduit that communicates with a group of sensors or probes manufactured by different vendors in a manner that requires the user to have little or no knowledge of their unique specifications. The data readout is displayed on the computer or mobile device display. We are designing the application software (the “App”) to have a graphical representation of control and indicator elements common in traditional tangible instruments, such as knobs, buttons, dials, and graphs, etc. Our developers are designing and implementing a soft control touch screen interface that supports real-time data monitoring and facilitates instrument control and operation.

The Company continues to devote a substantial number of resources to research and development despite a slight decrease to the overall number year over year to bring the Ubiquitor and its App to full production and distribution. We anticipate that the sales and marketing involved with bringing the Ubiquitor to market will require us to hire several new employees in order to gain traction in the market. We intend to introduce the Ubiquitor in smart home and commercial installations to reduce costs and increase functionality, as well as implement the Ubiquitor device in greenhouses and other agricultural warehouses that require regulation of light, humidity, moisture, and other measurable scientific units required to create optimal growing conditions.

We have completed an initial production run of prototype Ubiquitor devices and intend to proceed into full-scale production. The Ubiquitor’s sensor analytics system integrates event-monitoring, storage and analytics software in a cohesive package that provides a holistic view of the sensor data it is reading.

For a description of the physical hardware, see illustrations in “Figures 5-10 in Part I - Item 1. Business Section 5. “Developing a universal smart instrumentation platform (“USIP”)” above.

We believe the Ubiquitor device can connect up to thousands of potential sensor nodes integrate data using embedded software to display the data and all analytics onto a digital screen (desktop, smartphone or mobile device displays) using a wired or Wi-Fi connection. As disclosed in our patent application, we have already tested up to 256 sensor instrument readouts. Most types of nodes and probes can connect to the hardware. If the sensor size is bigger than the standard probe size, it is possible to simply use a USB cable to connect the probe and the hub. All data and analytics are displayed on a single screen, with tools that record and keep track of all measurements, and sort and display analytic information in easy-to-read charts.

The Ubiquitor is a general platform that collects data in real time and is intended to be adapted to many industrial uses.

Also, we plan to design a full line of products for the gardening industry by integrating the Ubiquitor device into a gardening system. The system would include the Ubiquitor connected to a light control node, temperature sensor, humidity sensor, digital light sensor, quantum PAR sensor, pH sensor, total dissolved solids (“TDS”) sensor and carbon dioxide sensor. We believe the combination of the Ubiquitor with these sensors would offer the same features as a combination of dozens or even hundreds of different standalone instruments in the gardening industry. The Ubiquitor-powered gardening system would be used to replace these standalone devices and could offer another case study of the effectiveness of the application of universal smart technology to such systems.

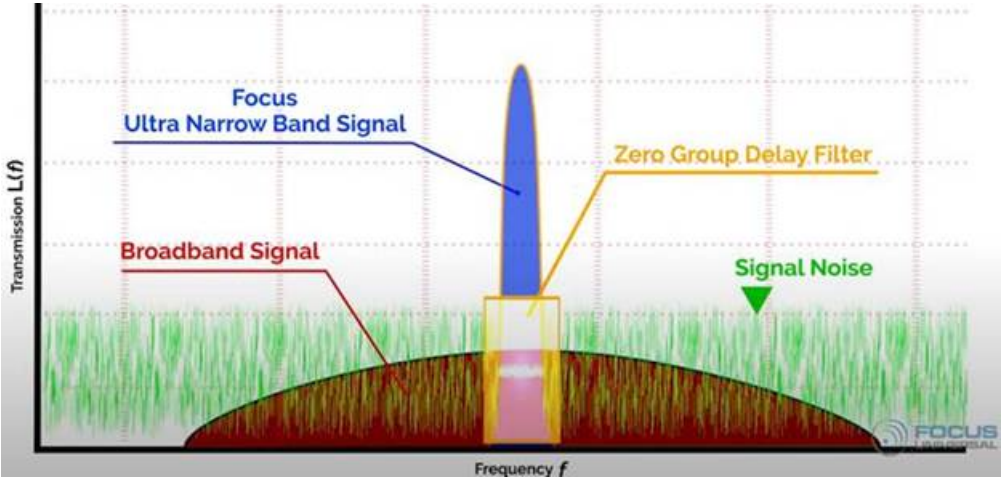
#### **Research and Development Efforts of Power Line Communication**

Power Line Communication (“PLC”) is a communication technology that enables sending data over existing power cables. One advantage of this technology is that PLC does not require substantial new investment for its communications infrastructure. Rather, PLC utilizes existing power lines, thereby forming a distribution network that penetrates most residential, commercial, and industrial premises. Accordingly, connectivity via PLC is a cost-effective and scalable interconnectivity approach for the IoT. We believe PLC can be an integral part of our communication infrastructure for the IoT, which enables reliable, real-time measurements, monitoring and control. A large variety of appliances may be interconnected by transmitting data through the same wires that provide electrical energy.

Our PLC technology uses an ultra-narrowband spectrum channel of less than 1 KHz to establish a long-distance link between transmitter and receiver. Thus, we believe that our proprietary ultra-narrowband PLC technology will offer a promising alternative to wireless networks and provide the backbone communication infrastructure for IoT devices.

The primary design goal of the power line network is electric power distribution, not data transmission. The harsh electrical noise present on power lines and variations in equipment and standards make data transmission over the power grid difficult. These technological challenges have impeded, or even halted, progression of PLC technology.

We continue to build upon our existing research and development with the intention of inventing an ultra-narrowband PLC technology that attempts to tackle two challenges: 1) overcoming interference caused by electronic noise on the power line system; and 2) bandwidth. Preliminary internal testing suggests that we have achieved significant noise rejection and interference suppression. In our preliminary internal testing, we have been able to increase bandwidth to 4 megabits per second with the potential for more, while simultaneously effectively dealing with electrical noise and interference. Based on the promising results of our internal testing, we have begun designing a proprietary PLC microchip and have set an intended launch date for 2023.



We believe that because residential and commercial structures already include multiple power outlets, the power line infrastructure represents an excellent network to share data among intelligent devices, particularly in the smart home installations that we are currently performing through AVX.

We plan to leverage the communications technology of PLC to enhance the Ubiquitor and make the Ubiquitor a central component of the smart home and gardening systems we are currently developing. The goal would be that our Ubiquitor would be used to send or receive control signals from a smart device, and control hundreds of devices in near real time. We intend to apply the same concept to commercial and industrial applications.

On December 23, 2021, Focus Universal (Shenzhen) Technology Co. LTD was founded as a mainland China office for manufacturing procurement expertise and support research and development activities. Focus Universal (Shenzhen) Technology Co. LTD is designed to function as a branch office accessing high level ability to source products and build relationships with manufacturers in the region and as a lower cost form of support research and development as engineers are more plentiful in the region. This last quarter of 2022, this office has continued to grow to double digit headcount and has also begun to handle other online and simple phone marketing and marketing materials production activities, provided a cost and quality benefit exists at the time.

**Research and Development Efforts of 5G Cellular Technology**

Just like our ultra-narrowband technology can be used to reduce noise in powerline communication technology, our internal research suggests that our ultra-narrowband technology can be leveraged to create a type of 5G wireless communication technology that can achieve both low band 5G coverage and we believe 1 Gbps high band speed. We employ an ultra-narrow spectrum channel (<1KHz) to establish an ultra-long-distance link between the 5G base station and the receiver which reduces noise and interference entering the bandwidth.

For a description of the ultra-narrowband technology and the 5G applications, see “Part I - Item 1. Business, Section 2. “Creating a faster 5G cellular technology by using ultra-narrowband technology” above.

### Intellectual Property Protection

On November 4, 2016, we filed a U.S. patent application number 15/344,041 with the USPTO. On March 5, 2018, we issued a press release announcing that the USPTO published an Issue Notification for U.S. Patent Application No. 9924295 entitled “Universal Smart Device,” which covers a patent application regarding the Company’s Universal Smart Device. The patent was issued on March 20, 2018.

Subsequent to our internal research and development efforts, we filed with the USPTO on June 2, 2017, a patent application regarding a process for improving the spectral response curve of a photo sensor. The small and cost-effective multicolor sensor and its related software protected by the potential patent we believe could achieve a spectral response that approximates an ideal photo response to measure optical measurement. The patent was issued on February 26, 2019.

On November 29, 2019, the Company filed an international utility patent application filed through the patent cooperation treaty as application PCT/US2019/63880. In April 2020, the Company was notified that it received a favorable international search report from the International Searching Authority regarding this patent application, which patents the Company’s PLC technology. The World International Property Organization report cited only three category “A” documents, indicating that the Company’s application met both the novelty and non-obviousness patentability requirements. Consequently, the Company is optimistic that the patent covering the claims for its PLC technology will be issued in due course and will allow the Company to implement strong protections on the PLC technology worldwide.

On May 19, 2021, we filed thirteen provisional patent applications with the USPTO that we had been researching and developing for years encompassing a broad spectrum of technology areas including sensor technology, wired and wireless communications, power line communications, computer security, software solutions, interconnected technological communications, smart home systems and methods for both home and hydroponic areas, dynamic password cipher, local file security, payment card security, infrared sensor, and a method and apparatus for high data rate transmission.

In the fourth quarter of 2021, we hired the law firm of Knobbe Martens, Olson & Bear, LLP based in Orange County, CA to serve as outside intellectual property counsel for the Company. The firm is working on transferring the Company’s provisional patent applications to formal patent applications in addition to filing new provisional patents. In 2021, we filed 14 patents. We filed 18 domestic patents in 2022 (plus two international patents in 2022), and so far have filed 3 patents in 2023.

In addition, the Company’s patent number 11,488,468 was allowed and subsequently issued on November 1, 2022. The patent, titled Sensor for Detecting the Proximity of an IEEE 802.11 Protocol Connectable Device.

### Competitors

There are several competitors we have identified in the wireless sensor node industry, including traditional instruments or devices manufacturers such as Hanna Instruments and Exttech Instruments.

Hach developed and launched the SC1000 Multi-parameter Universal Controller, a probe module for connecting a maximum to 32 digital sensors or analyzers. However, we believe their current price points are still cost prohibitive to consumers.

Monnit Corporation offers a range of wireless and remote sensors. Many of Monnit’s products are web-based wireless sensors that usually are not portable because of their power consumption. Also, the sensors’ real-time updates are slow; and we believe security of the web-based sensor data acquisition also may be a concern. In addition to purchasing the device, consumers usually have to pay monthly fees for using web-based services.

We are not trying to compete with traditional instruments or device manufacturers because we utilize our Ubiquitor device in conjunction with our smartphone application, which we believe will be a completely different product category.

### IoT Installation Industry

There are several companies that compete with AVX in smart home installations, including Vivint Smart Home, Crestron and Control4. However, we believe we can distinguish ourselves from our competitors by offering a substantially lower price. An installation by Crestron ranges between \$20,000 and \$100,000 and by Control4 between \$20,000 and \$40,000. The cheapest competitor we can identify in this sector is Vivint Smart Home, which costs less than \$5,000 to install; however, we understand that the Vivint Smart Home focuses on security systems only and that users have no other smart applications, which our smart home product line would include.

### Air Filtration Systems and Meter Products Industry

The air filtration system and meter products industry is a niche industry. The global industrial air filtration market was valued at \$23.83 billion by 2029 and analysts expect it to register a CAGR of 7.2% because of the industrial need to control air quality across a range of industries.<sup>22</sup> Air purification methods are an effective way to control contaminants and improve indoor air quality and as a result, many national and local governments overseeing indoor air quality and other emissions are enacting stricter workforce health and safety regulations in this area, which drives demand.

---

<sup>22</sup> Fortune, The global air filters market is projected to grow from \$14.68 billion in 2022 to \$23.83 billion by 2029, exhibiting a CAGR of 7.2% in forecast period, 2022-2029, <https://www.fortunebusinessinsights.com/industry-reports/air-filters-market-101676>, (last accessed March 7, 2023)



## Market Potential

We believe universal wireless smart technology will play a critical role for traditional instrument manufacturers, as currently simply the undertaking of an IoT project is too expensive and difficult to develop for medium or smaller companies and carries 75% failure rate according to Cisco Systems<sup>22</sup>. The cost factor is the first consideration when deciding whether a company wants to develop smart wireless technologies and implement them in their products or use them in their field testing. We also hope to play a role in academic laboratories, particularly with smaller academic laboratories that are sensitive to price. Regarding the larger IoT industry statistics, overall enterprise IoT spending increased to \$201 Billion in 2022, an increase of 21.5%. The outlook for growth in 2023 is 18.5% from this large base of enterprise spending<sup>23</sup>. More specifically, the IoT sensors market is projected to reach \$26 Billion by 2026 from \$11.1 Billion in 2022<sup>24</sup>. The IoT marketplace size assessments usually include the hardware components and the software components which often contain a Software as a Service (SaaS) model. Additionally, the rising need for reliable high bandwidth communication for IoT devices is expected to rise to \$664.75 Billion in 2028, spearheaded by the currently predominant services in the 5G category<sup>25</sup>. We would also expect this market to grow with the addition of new categories of services delivering reliable high bandwidth communication for IoT devices and would cannibalize and expand the existing services where the new services proved to be more effective and efficient.

We also expect our recent growth within our IoT Installation Services segment to bolster and complement our AVX Design and Integration and all other related installation businesses of these IoT products. The number of new contracts we have signed thus far in a limited amount of time through the segment is 9 with an average value of \$52,257.44 and a total collection value of \$470,317 in signed contracts to date, of which we have already collected \$233,515.89. Additionally, thus far, we have an aggregate \$615,797 in contracts agreed in principle, of which we expect to be signed and deposits paid. This is compared to our highest AVX revenue for calendar year of \$817,233 in 2019, \$705,877 for 2020, \$252,958 for 2021, and \$260,871 for 2022 for the entire calendar year. While statistics regarding the IoT installation sectors are difficult to aggregate given that the work is often are pieced off into various contractor service categories, the residential custom installation market ranges from \$5.7B to \$12.1B<sup>27</sup>, and we would expect the commercial and industrial installation markets to be larger than the residential for IoT devices.

---

<sup>22</sup> Cisco Systems, Connected Futures, Executive Business Insights, May 2017, The Journey to IOT Value, Challenges, Breakthroughs, and Best Practices, <https://www.slideshare.net/CiscoBusinessInsights/journey-to-iot-value-76163389>, <https://newsroom.cisco.com/c/t/newsroom/en/us/a/y2017/m05/cisco-survey-reveals-close-to-three-fourths-of-iot-projects-are-failing.html>

<sup>23</sup> IoT Analytics, Market Insights for the Internet of Things, February 7, 2023, Global IoT market size to grow 19% in 2023—IOT shows resilience despite economic downturn, <https://iot-analytics.com/iot-market-size/>

<sup>24</sup> Markets and Markets, IoT Sensors Market by Sensor Type, Network Technology, Vertical, Application, and Geography – Global Forecast -2026, <https://www.marketsandmarkets.com/Market-Reports/sensors-iot-market-26520972.html>

<sup>25</sup> Cision PRNewswire, Research and Markets, Global \$664.75 Billion 5G Services Markets to 2028: Rising Need for High Bandwidth to Provide Reliable Communication to IoT Devices is Expected to Boost Overall Market Growth, <https://www.prnewswire.com/news-releases/global-664-75-billion-5g-services-markets-to-2028-rising-need-for-high-bandwidth-to-provide-reliable-communication-to-iot-devices-is-expected-to-boost-overall-market-growth-301432173.html>

<sup>26</sup> CEPro. How Big is the Custom Installation Market?, February 5, 2018, [https://www.cepro.com/news/how\\_big\\_is\\_custom\\_installation\\_market/](https://www.cepro.com/news/how_big_is_custom_installation_market/)

## Results of Operations

### For the year ended December 31, 2022 compared to the year ended December 31, 2021

#### Revenue

Our consolidated gross revenue for the years ended December 31, 2022 and 2021 was \$353,619 and \$1,434,446, respectively, which included revenue from related parties of \$49,782 and \$29,084, respectively. Revenue for the year ended December 31, 2022 decreased \$1,080,827 due to AVX Design & Integration Inc. being unable to generate more service work or develop a big project during the pandemic. As mentioned, the company is midstream in shifting toward more higher technology products and revenues and diversifying away from generalized hydroponic equipment.

#### Cost of revenue and Gross Profit

Cost of revenue for the year ended December 31, 2022 was \$330,899, compared to \$1,137,287 for the year ended December 31, 2021. This decrease in cost of revenue was related to the decrease in revenues. In addition to the decrease in revenue, gross profit decreased to \$22,720 for the year ended December 31, 2022 compared to \$297,159 for the year ended December 31, 2021.

#### Operating Expenses

The major components of our operating expenses for the years ended December 31, 2022 and 2021 are outlined in the table below:

	For the year ended December 31, 2022	For the year ended December 31, 2021	Increase (Decrease) \$
Selling expense	\$ 142,372	\$ 39,821	\$ 102,551
Compensation – officers and directors	1,055,133	661,171	393,962
Research and development	1,060,385	220,469	839,916
Professional fees	896,385	1,030,159	(133,774)
General and administrative	2,074,091	1,362,126	711,965
Total costs and operating expenses	<u>\$ 5,228,366</u>	<u>\$ 3,313,746</u>	<u>\$ 1,914,620</u>

Selling expense for the year ended December 31, 2022 was \$142,372, compared to \$39,821 for the year ended December 31, 2021. Selling expense incurred was mainly from third party advertising fees. The increase of selling expense was due to an increase in advertising fees.

Compensation – officers and directors were \$1,055,133 and \$661,171 for the years ended December 31, 2022 and 2021, respectively. The increase was due to increase in directors' stock-based compensation - options.

Research and development costs were \$1,060,385 and \$220,469 for the years ended December 31, 2022 and 2021, respectively. The increase was due to an increase number of employee in research and development department.

Professional fees were \$896,385 during the year ended December 31, 2022 compared to \$1,030,159 during the year ended December 31, 2021. The decrease in professional fees mainly resulted from the Nasdaq uplist in 2021 compared to the current period.

General and administrative expenses of \$2,074,091 incurred during the year ended December 31, 2022 primarily consisted of salaries of \$739,943, insurance expense of \$406,612, rent of \$209,738, office expense of \$188,464, payroll taxes of \$136,614 and depreciation expense of \$165,293. General and administrative expenses of \$1,362,126 incurred during the year ended December 31, 2021 primarily consisted of salaries of \$487,073, insurance expense of \$359,372 and depreciation expense of \$162,160. The increase was mainly due to increased expense in China entity.

### *Other Income (expense)*

Other income of \$278,709 incurred during the year ended December 31, 2022, primarily consisted of interest income of \$3,887, forgiveness of debt of \$158,547, unrealized loss on marketable equity securities of \$42,395, realized loss on marketable equity securities of \$21,205, rental income of \$166,288 and other income of \$13,587. Other expense of \$204,390 incurred during the year ended December 31, 2021, primarily consisted of interest expense of \$37,608, forgiveness of debt of \$371,118, change in fair value of warrant liability of \$1,284,780, gain on settlement of derivative liability of \$550,406, rental income of \$186,212 and other income of \$10,262.

### *Net Losses*

During the years ended December 31, 2022, and 2021, we incurred net losses of \$4,926,937 and \$3,220,977 respectively, due to the factors discussed above.

## **Liquidity and Capital Resources**

### *Working Capital*

	December 31, 2022	December 31, 2021
Current Assets	\$ 4,807,830	\$ 9,214,340
Current Liabilities	(1,387,239)	(571,442)
Working Capital	<u>\$ 3,420,591</u>	<u>\$ 8,642,898</u>

### *Cash Flows*

The table below, for the periods indicated, provides selected cash flow information:

	For the year ended December 31, 2022	For the year ended December 31, 2021
Net cash used in operating activities	\$ (2,957,983)	\$ (1,969,445)
Net cash used in investing activities	(211,257)	(22,990)
Net cash provided by (used in) financing activities	(1,158,547)	10,087,818
Effect of exchange rate	(7,452)	(43)
Net change in cash	<u>\$ (4,335,239)</u>	<u>\$ 8,095,340</u>

### *Cash Flows from Operating Activities*

Our net cash outflows from operating activities of \$2,957,983 for the year ended December 31, 2022, was primarily the result of our net loss of \$4,926,937 and changes in our operating assets and liabilities offset by the add-back of non-cash expenses. The change in operating assets and liabilities includes an increase in accounts receivable of \$37,335, increase in accounts receivable – related party of \$19,331, increase in inventory of \$53,684, decrease in other receivable of \$13,057, decrease in prepaid expenses of \$158,474, decrease in deposits of \$4,035, decrease in operating lease right-of-use asset of \$139,754, decrease in accounts payable and accrued liabilities of \$21,722, decrease in other current liabilities of \$17,135, decrease in customer deposit of \$271, decrease in lease liabilities of \$117,245, and increase in other liabilities of \$12,335. Non-cash expense included add-backs of \$136,337 in bad debt expense, \$166,266 in depreciation expense, \$42,395 in unrealized loss on marketable equity securities, \$21,205 in realized loss on marketable equity securities, \$719,975 in stock-based compensation – shares, \$849,043 in stock-based compensation - options, reduction in inventory fair value net realizable of \$27,199.

Our net cash outflows from operating activities of \$1,969,445 for the year ended December 31, 2021, was primarily the result of our net loss of \$3,220,977 and changes in our operating assets and liabilities offset by the add-back of non-cash expenses. The change in operating assets and liabilities includes an increase in accounts receivable of \$28,875, increase in accounts receivable – related party of \$15,176, decrease in inventory of \$21,229, increase in other receivable of \$13,057, increase in prepaid expenses of \$210,017, decrease in deposits of \$66,767, increase in operating lease right-of-use asset of \$333,140, increase in accounts payable and accrued liabilities of \$94,484, decrease in accounts payable – related party of \$17,471, increase in other current liabilities of \$17,299, decrease in customer deposit of \$57,106, increase in lease liabilities of \$328,846, and decrease in other liabilities of \$17,135. Non-cash expense included add-backs of \$42,116 in bad debt expense, \$162,160 in depreciation expense, \$1,284,780 in change in fair value of warrant liability, \$48,000 in stock-based compensation, \$429,856 in stock option compensation, reduction in inventory reserve of \$1,622, and gain on settlement of derivative liability of \$550,406.

We expect that cash flows from operating activities may fluctuate in future periods because of a number of factors, including fluctuations in our net revenues and operating results, utilization of new revenue streams, collection of accounts receivable, and timing of billings and payments.

#### ***Cash Flows from Investing Activities***

For the year ended December 31, 2022, we had cash outflow from investing activities of \$211,257. That was primarily the result from the purchase of property and equipment of \$42,187, purchase of marketable securities of \$768,949 and proceeds from sales of marketable securities of \$599,879. For the year ended December 31, 2021, we had cash outflow from investing activities of \$22,990 from the purchase of property and equipment.

#### ***Cash Flows from Financing Activities***

For the year ended December 31, 2022, cash outflows from financing activities of \$1,158,547. That was primarily the result from purchase of treasury stock of \$1,000,000, and forgiveness of debt of \$158,547. For the year ended December 31, 2021, cash inflows of \$10,087,818 were due to proceeds of SBA loans of \$267,297, repayment of SBA loans of \$246,650, proceeds from bank loan of \$1,500,000, repayment of the bank loan of \$1,500,000, proceeds from issuance of shares of \$10,326,131, and forgiveness of debt of \$258,960.

#### **Off-Balance Sheet Arrangements**

As of December 31, 2022, we did not have any off-balance-sheet arrangements, as defined in Item 303(a)(4)(ii) of Regulation SK.

#### **Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

We are a smaller reporting company as defined by Rule 12b-2 of the Securities Exchange Act of 1934 and are not required to provide the information under this item.

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

FOCUS UNIVERSAL INC. AND SUBSIDIARY  
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

Index to the Financial Statements

<u>Contents</u>	<u>Page</u>
<a href="#">Report of Independent Registered Public Accounting Firm</a> (PCAOB No. 6906)	F-2
<a href="#">Report of Independent Registered Public Accounting Firm</a> (PCAOB No. 5041)	F-4
<a href="#">Consolidated Balance Sheets as of December 31, 2022 and 2021</a>	F-6
<a href="#">Consolidated Statements of Operations for the Years Ended December 31, 2022 and 2021</a>	F-7
<a href="#">Consolidated Statements of Changes in Stockholders' Equity for the Years ended December 31, 2022 and 2021</a>	F-8
<a href="#">Consolidated Statements of Cash Flows for the Years Ended December 31, 2022 and 2021</a>	F-9
<a href="#">Notes to the Consolidated Financial Statements</a>	F-10

## Report of Independent Registered Public Accounting Firm

To the shareholders and the board of directors of Focus Universal, Inc.

### Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheet of Focus Universal, Inc. (the “Company”) as of December 31, 2022 the related consolidated statement of operations, stockholders’ equity, and cash flows for the years then ended, and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States.

### Basis for Opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud.

Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

### Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current-period audit of the financial statements that was communicated or required to be communicated to the audit committee and that (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

*Revenue recognition — identification of contractual terms in certain customer arrangements*

As described in Note 2 to the consolidated financial statements, management applies FASB Topic 606, *Revenue from Contracts with Customers* (“ASC 606”) to recognize revenue. Management recognizes revenue upon transfer of control of promised goods or services to customers in an amount that reflects the consideration the Company expects to receive in exchange for those goods or services. The Company’s revenue is divided into two sources, with one source being from project construction which is recognized over time using the percentage-of-completion method under the cost approach. Management is required to estimate the percentage of completion when determining the amount and timing of revenue recognition.

The principal considerations for our determination that performing procedures over the percentage-of-completion method of recognition of revenue contracts and subsequent payment collections is a critical audit matter as there are more significant risks associated with the percentage-of completion recognition of this revenue. This in turn led to significant effort in performing our audit procedures which were designed to evaluate whether the contractual terms, the timing of revenue recognition were appropriately identified and determined by management and to evaluate the reasonableness of management’s estimates.

Our audit procedures included, among others, understanding of controls relating to management’s revenue recognition process, examining transaction related documents, confirming revenues and outstanding receivables at the balance sheet date with a sample of the project construction customers, and testing collections subsequent to the balance sheet date.

/s/ Reliant CPA PC

**Reliant CPA PC**

We have served as the Company’s auditor since 2023

Newport Beach, CA

March 31, 2023

## Report of Independent Registered Public Accounting Firm

To the shareholders and the board of directors of Focus Universal, Inc.

### Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheet of Focus Universal, Inc. (the “Company”) as of December 31, 2021, the related statement of operations, stockholders’ equity, and cash flows for the years then ended, and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021, and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States.

### Substantial Doubt about the Company’s Ability to Continue as a Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the financial statements, the Company’s significant operating losses raise substantial doubt about its ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

### Basis for Opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud.

Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

### Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current-period audit of the financial statements that was communicated or required to be communicated to the audit committee and that (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.



*Revenue recognition — identification of contractual terms in certain customer arrangements*

As described in Note 2 to the consolidated financial statements, management applies FASB Topic 606, *Revenue from Contracts with Customers* (“ASC 606”) to recognize revenue. Management recognizes revenue upon transfer of control of promised goods or services to customers in an amount that reflects the consideration the Company expects to receive in exchange for those goods or services. The Company’s revenue is divided into two sources, with one source being from project construction which is recognized over time using the percentage-of-completion method under the cost approach. Management is required to estimate the percentage of completion when determining the amount and timing of revenue recognition.

The principal considerations for our determination that performing procedures over the percentage-of-completion method of recognition of revenue contracts and subsequent payment collections is a critical audit matter as there are more significant risks associated with the percentage-of completion recognition of this revenue. This in turn led to significant effort in performing our audit procedures which were designed to evaluate whether the contractual terms, the timing of revenue recognition were appropriately identified and determined by management and to evaluate the reasonableness of management’s estimates.

Our audit procedures included, among others, understanding of controls relating to management’s revenue recognition process, examining transaction related documents, confirming revenues and outstanding receivables at the balance sheet date with a sample of the project construction customers, and testing collections subsequent to the balance sheet date.

/s/ BF Borgers CPA PC  
**BF Borgers CPA PC**

We have served as the Company’s auditor since 2017 to 2022.  
Lakewood, CO  
March 8, 2022

**FOCUS UNIVERSAL INC.**  
**CONSOLIDATED BALANCE SHEETS**

	<u>December 31,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>
<b>ASSETS</b>		
Current Assets:		
Cash	\$ 4,343,426	\$ 8,678,665
Accounts receivable, net	78,313	177,315
Accounts receivable – related party	34,507	15,176
Inventories	103,772	22,889
Other receivables	–	13,057
Prepaid expenses	142,342	301,270
Marketable securities	105,470	–
Deposit - current portion	–	5,968
Total Current Assets	<u>4,807,830</u>	<u>9,214,340</u>
Property and equipment, net	4,228,630	4,353,340
Operating lease right-of-use asset	253,336	420,137
Deposits	<u>33,264</u>	<u>33,933</u>
Total Assets	<u>\$ 9,323,060</u>	<u>\$ 14,021,750</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current Liabilities:		
Accounts payable and accrued liabilities	\$ 267,685	\$ 293,354
Treasury stock payable	1,000,000	–
Other current liabilities	6,496	23,902
Loan, current portion	–	132,618
Lease liability, current portion	113,058	121,568
Total Current Liabilities	<u>1,387,239</u>	<u>571,442</u>
Non-Current Liabilities:		
Lease liability, less current portion	165,952	302,387
Loan, less current portion	–	25,929
Other liability	12,335	–
Total Non-Current Liabilities	<u>178,287</u>	<u>328,316</u>
Total Liabilities	<u>1,565,526</u>	<u>899,758</u>
Contingencies (Note 13)	–	–
Stockholders' Equity:		
Common stock, par value \$0.001 per share, 75,000,000 shares authorized; 43,530,915 and 43,259,741 shares issued and outstanding as of December 31, 2022 and 2021, respectively	43,531	43,259
Treasury stock (400,000 and 0 shares held at December 31, 2022 and 2021, respectively)	(2,000,000)	–
Additional paid-in capital	27,536,499	24,093,075
Shares to be issued, common shares	48,075	1,922,753
Accumulated deficit	(17,864,028)	(12,937,091)
Accumulated other comprehensive loss	(6,543)	(4)
Total Stockholders' Equity	<u>7,757,534</u>	<u>13,121,992</u>
Total Liabilities and Stockholders' Equity	<u>\$ 9,323,060</u>	<u>\$ 14,021,750</u>

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

**FOCUS UNIVERSAL INC.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**

	Years ended December 31,	
	2022	2021
Revenue	\$ 303,837	\$ 1,405,362
Revenue - related party	49,782	29,084
Total Revenue	<u>353,619</u>	<u>1,434,446</u>
Cost of revenue	<u>330,899</u>	<u>1,137,287</u>
Gross Profit	22,720	297,159
Operating Expenses		
Selling expense	142,372	39,821
Compensation - officers and directors	1,055,133	661,171
Research and development	1,060,385	220,469
Professional fees	896,385	1,030,159
General and administrative	2,074,091	1,362,126
Total Cost and Operating Expense	<u>5,228,366</u>	<u>3,313,746</u>
Loss from Operations	(5,205,646)	(3,016,587)
Other Income (Expense):		
Interest income (expense), net	3,887	(37,608)
Forgiveness of debt	158,547	371,118
Change in fair value of warrant liability	-	(1,284,780)
Gain on settlement of derivative liability	-	550,406
Unrealized loss on marketable equity securities	(42,395)	-
Realized loss on marketable equity securities	(21,205)	-
Rental income	166,288	186,212
Other income	13,587	10,262
Total other income (expense)	<u>278,709</u>	<u>(204,390)</u>
Loss before income taxes	<u>(4,926,937)</u>	<u>(3,220,977)</u>
Income tax expense	-	-
Net Loss	<u>\$ (4,926,937)</u>	<u>\$ (3,220,977)</u>
Other comprehensive items		
Foreign currency translation loss	<u>(6,539)</u>	<u>(4)</u>
Total comprehensive loss	<u>\$ (4,933,476)</u>	<u>\$ (3,220,981)</u>
Weight Average Number of Common Shares Outstanding: Basic and Diluted	<u>43,413,080</u>	<u>41,715,905</u>
Net Loss per common share: Basic and Diluted	<u>\$ (0.11)</u>	<u>\$ (0.08)</u>

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

**FOCUS UNIVERSAL INC.**  
**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2022 and 2021**

Description	Common stock		Treasury stock Amount	Additional Paid-In Capital	Shares to be issued Common Shares	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
	Shares	Amount						
Balance - December 31, 2020	40,959,741	\$ 40,959	\$ -	\$ 14,381,058	\$ 98,709	\$ (9,716,114)	\$ -	\$ 4,804,612
Issuance of common stock	2,300,000	2,300	-	9,282,161	1,776,044	-	-	11,060,505
Stock based compensation - options	-	-	-	429,856	-	-	-	429,856
Common stock issued for services	-	-	-	-	48,000	-	-	48,000
Other comprehensive loss	-	-	-	-	-	-	(4)	(4)
Net loss	-	-	-	-	-	(3,220,977)	-	(3,220,977)
Balance - December 31, 2021	43,259,741	\$ 43,259	\$ -	\$ 24,093,075	\$ 1,922,753	\$ (12,937,091)	\$ (4)	\$ 13,121,992
Stock based compensation - options	-	-	-	849,043	-	-	-	849,043
Stock based compensation - cashless exercise option	54,898	55	-	(55)	-	-	-	-
Stock based compensation - shares	62,500	63	-	663,837	48,075	-	-	711,975
Purchase of treasury stock	-	-	(2,000,000)	-	-	-	-	(2,000,000)
Common stock issued for current services	891	1	-	7,999	-	-	-	8,000
Common stock issued for prior services	31,736	32	-	146,677	(146,709)	-	-	-
Shares issued for cashless exercise of warrants	121,149	121	-	1,775,923	(1,776,044)	-	-	-
Other comprehensive loss	-	-	-	-	-	-	(6,539)	(6,539)
Net loss	-	-	-	-	-	(4,926,937)	-	(4,926,937)
Balance - December 31, 2022	43,530,915	\$ 43,531	\$ (2,000,000)	\$ 27,536,499	\$ 48,075	\$ (17,864,028)	\$ (6,543)	\$ 7,757,534

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

**FOCUS UNIVERSAL INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	For the Years Ended December 31,	
	2022	2021
Cash flows from operating activities:		
Net Loss	\$ (4,926,937)	\$ (3,220,977)
Adjustments to reconcile net loss to net cash from operating activities:		
Bad debt expense	136,337	42,116
Inventories fair value net realizable	(27,199)	(1,622)
Depreciation expense	166,266	162,160
Unrealized loss on marketable equity securities	42,395	-
Realized loss on marketable equity securities	21,205	-
Change in fair value of warrant liability	-	1,284,780
Gain on settlement of derivative liability	-	(550,406)
Stock-based compensation - shares	719,975	-
Stock-based compensation - services	-	48,000
Stock based compensation - options	849,043	429,856
Changes in operating assets and liabilities:		
Accounts receivable	(37,335)	(28,875)
Accounts receivable - related party	(19,331)	(15,176)
Inventories	(53,684)	21,229
Other receivable	13,057	(13,057)
Prepaid expenses	158,474	(210,017)
Deposit	4,035	66,767
Operating lease right-of-use asset	139,754	(333,140)
Accounts payable and accrued liabilities	(21,722)	94,484
Accounts payable - related party	-	(17,471)
Other current liabilities	(17,135)	17,299
Customer deposit	(271)	(57,106)
Lease liabilities	(117,245)	328,846
Other liabilities	12,335	(17,135)
Net cash flows used in operating activities	<u>(2,957,983)</u>	<u>(1,969,445)</u>
Cash flows from investing activities:		
Purchase of property and equipment	(42,187)	(22,990)
Purchase of marketable securities	(768,949)	-
Proceeds from sales of marketable securities	599,879	-
Net cash flows used in investing activities	<u>(211,257)</u>	<u>(22,990)</u>
Cash flows from financing activities:		
Proceeds from SBA loan	-	267,297
Repayment on SBA loan	-	(246,650)
Purchase of treasury stock	(1,000,000)	-
Proceeds from bank loan	-	1,500,000
Repayment on bank loan	-	(1,500,000)
Forgiveness of debt	(158,547)	(258,960)
Proceeds from IPO, net	-	10,326,131
Net cash flows provided by (used in) financing activities	<u>(1,158,547)</u>	<u>10,087,818</u>
Effect of exchange rate	<u>(7,452)</u>	<u>(43)</u>
Net change in cash	(4,335,239)	8,095,340
Cash beginning of year	<u>8,678,665</u>	<u>583,325</u>
Cash end of year	<u>\$ 4,343,426</u>	<u>\$ 8,678,665</u>
Supplemental cash flow disclosure:		
Cash paid for income taxes	<u>\$ -</u>	<u>\$ -</u>
Cash paid for interest	<u>\$ 12,164</u>	<u>\$ 42,968</u>
Supplemental disclosure of non-cash financing activities:		
Cashless warrant	<u>\$ -</u>	<u>\$ 1,776,044</u>

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

**FOCUS UNIVERSAL INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

**Note 1 – Organization and Operations**

Focus Universal Inc. (“Focus”) was incorporated under the laws of the State of Nevada on December 4, 2012 (“Inception”). It is a universal smart instrument developer and manufacturer, headquartered in the Ontario, California, specializing in the development and commercialization of novel and proprietary universal smart technologies and instruments. Focus Universal Inc. is also a provider of patented hardware and software design technologies for Internet of Things (IoT) and 5G. The company has developed five disruptive patented technology platforms with 26 patents and patents pending in various phases and 8 trademarks pending in various phases to solve the major problems facing hardware and software design and production within the industry today. These technologies combined to have the potential to reduce costs, product development timelines and energy usage while increasing range, speed, efficiency, and security. The smartphone or other mobile device, foundation, and sensor readouts together perform the functions of many traditional scientific and engineering instruments and are intended to replace the traditional, wired stand-alone instruments at a fraction of their cost.

The company has multiple subsidiary units, including Perfecular Inc. (“Perfecular”), AVX Design and Integration Inc. (“AVX”), Focus Universal (Shenzhen) Technology Company LTD (“Focus Shenzhen”), Lusher Bioscientific, Inc. (“Lusher”), and AT Tech Systems LLC (“AT Tech LLC”). Perfecular Inc. a wholly owned subsidiary of Focus, was founded in September 2009 and is headquartered in Ontario, California, and is engaged in designing certain digital sensor products and sells a broad selection of horticultural sensors and filters in North America and Europe. AVX Design & Integration, Inc. was incorporated on June 16, 2000, in the state of California. AVX is an internet of things (“IoT”) installation and management company specializing in high performance and easy to use Audio/Video, Home Theater, Lighting Control, Automation and Integration. Services provided by AVX include full integration of houses, apartment, commercial complex, office spaces with audio, visual and control systems to fully integrate devices in the low voltage field. AVX’s services also include partial equipment upgrade and installation. Focus set up a branch in Shenzhen China, Focus Universal (Shenzhen) Technology Company LTD to be engaged in IoT research and development, equipment sales, and application services, software development and sales, amongst other activities.

On January 5, 2022, the Company founded a wholly owned subsidiary named Lusher Bioscientific, Inc. Lusher Bioscientific was founded to market to the hydroponic and controlled agriculture market and to assist in the product development of IoT technology products within this sector. As of the date of this filing, Lusher’s activities are in the introductory phase.

**Note 2 – Summary of Significant Accounting Policies**

*Principles of Consolidation*

The accompanying consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Perfecular Inc., AVX Design & Integration, Focus Universal (Shenzhen) Technology Co. LTD, and Lusher Bioscientific. Focus and Perfecular, collectively “the entities,” were under common control; therefore, in accordance with Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 805-50-45, the acquisition of Perfecular was accounted for as a business combination between entities under common control and treated like a pooling of interest transaction. On March 15, 2019, Focus entered into a stock purchase agreement with AVX whereby Focus purchased 100% of the outstanding stock of AVX. On December 23, 2021, Focus established Focus Universal (Shenzhen) Technology Co. LTD as a wholly owned subsidiary. On January 5, 2022, the Company founded a wholly owned subsidiary named Lusher Bioscientific, Inc. All significant intercompany transactions and balances have been eliminated.

### Segment Reporting

The Company currently has two operating segments. In accordance with ASC 280, *Segment Reporting* (“ASC 280”), the Company considers operating segments to be components of the Company’s business for which separate financial information is available and evaluated regularly by Management in deciding how to allocate resources and to assess performance. Management reviews financial information presented on a consolidated basis for purposes of allocating resources and evaluating financial performance. Accordingly, the Company has determined that it has three operating and reportable segments. The Company consists of three types of operations. (1) Focus and Focus Shenzhen (“Corporate”) involve operations related to research and development of technology products, non-specific financing, executive expense, operations and investor relations of the public entity, and general shared management and costs across subsidiary units which spread across all functional categories. (2) Perfecular and Lusher (“Product”) involve wholesale, marketing, and production of universal smart instruments and devices in the hydroponic and controlled agricultural segments. (3) AVX (“Installation service”) is an IoT installation and management company specializing in high performance and easy to use audio/video, home theater, lighting control, automation, and integration.

Asset information by operating segment is not presented as the chief operating decision maker does not review this information by segment. The reporting segments follow the same accounting policies used in the preparation of the Company’s consolidated financial statements.

### Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the accompanying consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. The Company bases its estimates and assumptions on current facts, historical experience and various other factors that it believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities and the accrual of costs and expenses that are not readily apparent from other sources.

The actual results experienced by the Company may differ materially and adversely from the Company’s estimates. To the extent there are material differences between the estimates and the actual results, future results of operations will be affected. Significant estimates in the accompanying financial statements include the lease term impacting right-of use asset and lease liability, useful lives of property and equipment, useful lives of intangible assets, allowance for doubtful accounts, inventory reserves, debt discounts, valuation of derivatives, and the valuation allowance on deferred tax assets. The Company regularly evaluates its estimates and assumptions.

### Cash

The Company considers all highly liquid investments with a maturity of three months or less to be cash. At times, such investments may be in excess of Federal Deposit Insurance Corporation (FDIC) insurance limit. As of December 31, 2022 and 2021, approximately \$3,120,763 and \$7,464,846 of the Company’s cash was not insured by the FDIC. There were no cash equivalents held by the Company at December 31, 2022 and 2021.

### Accounts Receivable

The Company grants credit to clients that sell the Company’s products or engage in construction service under credit terms that it believes are customary in the industry and do not require collateral to support customer receivables. The accounts receivable balances are generally collected within 30 to 90 days of the product sale.

### Allowance for doubtful accounts

The Company estimates an allowance for doubtful accounts based on historical collection trends and review of the current status of trade accounts receivable. It is reasonably possible that the Company’s estimate of the allowance for doubtful accounts will change. As of December 31, 2022 and 2021, allowance for doubtful accounts amounted to \$222,972 and \$86,635, respectively.

### Concentrations of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents. The Company limits its exposure to credit loss by investing its cash with high credit quality financial institutions.

### Inventories

Inventory consists primarily of parts and finished goods and is valued at the lower of the inventory's cost or net realizable value under the first-in-first-out method. Management compares the cost of inventory with its market value and an allowance is made to write down inventory to market value, if lower. Inventory allowances are recorded for obsolete or slow-moving inventory based on assumptions about future demand and marketability of products, the impact of new product introductions and specific identification of items, such as discontinued products. These estimates could vary significantly from actual requirements, for example, if future economic conditions, customer inventory levels or competitive conditions differ from expectations. The Company regularly reviews the value of inventory based on historical usage and estimated future usage. If estimated realized value of our inventory is less than cost, we make provisions in order to reduce the carrying value to its estimated market value. As of December 31, 2022 and 2021, inventory fair value net realizable amounted to \$41,741 and \$68,940, respectively.

### Marketable Securities

The Company invests part of its excess treasury cash in equity securities and money market funds according to company treasury and investment policies. Marketable securities represent trading securities bought and held primarily for sale in the near-term to generate income on short-term price differences and are stated at fair value. Realized and unrealized gains and losses are recorded in other income (expense), net.

### Property and Equipment

Property and equipment are stated at cost. The cost and accumulated depreciation of assets sold or retired are removed from the respective accounts and any gain or loss is included in earnings. Maintenance and repairs are expensed currently. Major renewals and betterments are capitalized. Depreciation is computed using the straight-line method. Estimated useful lives are as follows:

Fixed assets	Useful life
Furniture	5 years
Equipment	5 years
Warehouse	39 years
Improvement	5 years
Land	N/A

### Long-Lived Assets

The Company applies the provisions of FASB ASC Topic 360, Property, Plant, and Equipment, which addresses financial accounting and reporting for the impairment or disposal of long-lived assets. ASC 360 requires impairment losses to be recorded on long-lived assets used in operations when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amounts. In that event, a loss is recognized based on the amount by which the carrying value exceeds the fair value of the long-lived assets. Loss on long-lived assets to be disposed of is determined in a similar manner, except that fair values are reduced for the cost of disposal. Long-term assets of the Company are reviewed when circumstances warrant as to whether their carrying value has become impaired. The Company considers assets to be impaired if the carrying value exceeds the future projected cash flows from related operations. The Company also re-evaluates the periods of amortization to determine whether subsequent events and circumstances warrant revised estimates of useful lives. Based on its review at December 31, 2022 and 2021, the Company believes there was no impairment of its long-lived assets.



### Treasury stock

Purchases and sales of treasury stock are accounted for using the cost method. Under this method, shares acquired are recorded at the acquisition price directly to the treasury stock account. Upon sale, the treasury stock account is reduced by the original acquisition price of the shares and any difference is recorded in additional paid in capital, on a first-in first-out basis. The Company does not recognize a gain or loss to income from the purchase and sale of treasury stock.

### Share-based Compensation

The Company accounts for stock-based compensation to employees in conformity with the provisions of ASC Topic 718, Stock-Based Compensation. Stock-based compensation to employees consist of stock options, grants, and restricted shares that are recognized in the statement of operations based on their fair values at the date of grant.

The measurement of stock-based compensation is subject to periodic adjustments as the underlying equity instruments vest and is recognized as an expense over the period during which services are received.

The Company calculates the fair value of option grants utilizing the Black-Scholes pricing model and estimates the fair value of the stock based upon the estimated fair value of the common stock. The amount of stock-based compensation recognized during a period is based on the value of the portion of the awards that are ultimately expected to vest.

The resulting stock-based compensation expense for both employee and non-employee awards is generally recognized on a straight- line basis over the requisite service period of the award.

### Warrants

The Company accounts for warrants as either equity-classified or liability-classified instruments based on an assessment of the warrant's specific terms and applicable authoritative guidance in FASB ASC 480, Distinguishing Liabilities from Equity ("ASC 480") and ASC 815, Derivatives and Hedging ("ASC 815"). The assessment considers whether the warrants are freestanding financial instruments pursuant to ASC 480, meet the definition of a liability pursuant to ASC 480, and whether the warrants meet all of the requirements for equity classification under ASC 815, including whether the warrants are indexed to the Company's own ordinary shares and whether the warrant holders could potentially require "net cash settlement" in a circumstance outside of the Company's control, among other conditions for equity classification. This assessment, which requires the use of professional judgment, is conducted at the time of warrant issuance and as of each subsequent quarterly period end date while the warrants are outstanding.

For issued or modified warrants that meet all of the criteria for equity classification, the warrants are required to be recorded as a component of additional paid-in capital at the time of issuance. For issued or modified warrants that do not meet all the criteria for equity classification, the warrants are required to be recorded at their initial fair value on the date of issuance, and each balance sheet date thereafter. Changes in the estimated fair value of the warrants are recognized as a non-cash gain or loss on the statements of operations. The fair value of the warrants was estimated using a Black-Scholes pricing model (see Note 11). The Company does not have any outstanding warrants as of December 31, 2022 and 2021, respectively.

### Fair Value of Financial Instruments

The Company follows paragraph ASC 825-10-50-10 for disclosures about fair value of its financial instruments and paragraph ASC 820-10-35-37 (“Paragraph 820-10-35-37”) to measure the fair value of its financial instruments. Paragraph 820-10-35-37 establishes a framework for measuring fair value in accounting principles generally accepted in the United States of America (U.S. GAAP) and expands disclosures about fair value measurements.

To increase consistency and comparability in fair value measurements and related disclosures, Paragraph 820-10-35-37 establishes a fair value hierarchy which prioritizes the inputs to valuation techniques used to measure fair value into three (3) broad levels. The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The three (3) levels of fair value hierarchy defined by Paragraph 820-10-35-37 are described below:

- Level 1: Quoted market prices available in active markets for identical assets or liabilities as of the reporting date.
- Level 2: Pricing inputs other than quoted prices in active markets included in Level 1, which are either directly or indirectly observable as of the reporting date.
- Level 3: Pricing inputs that are generally unobservable inputs and not corroborated by market data.

The following table summarize financial assets and liabilities measured at fair value on a recurring basis as of December 31, 2022:

	December 31, 2022			
	Fair Value			Carrying Value
	Level 1	Level 2	Level 3	
<b>Assets</b>				
Marketable securities:				
Stock	\$ 105,470	\$ –	\$ –	\$ 105,470
Total assets measured at fair value	\$ 105,470	\$ –	\$ –	\$ 105,470

The carrying amount of the Company’s financial assets and liabilities, such as cash, accounts receivable, inventories, other receivable, prepaid expenses, deposit, accounts payable and accrued expenses, other current liabilities, customer deposit, approximate their fair value because of the short maturity of those instruments.

Transactions involving related parties cannot be presumed to be carried out on an arm's-length basis, as the requisite conditions of competitive, free-market dealings may not exist. Representations about transactions with related parties, if made, shall not imply that the related party transactions were consummated on terms equivalent to those that prevail in arm's-length transactions unless such representations can be substantiated.

However, it is not practical to determine the fair value of advances from stockholders, if any, due to their related party nature.

### Comprehensive Income (Loss)

Other comprehensive income (loss) refers to revenues, expenses, gains and losses that under generally accepted accounting principles are included in comprehensive income but are excluded from net income (loss) as these amounts are recorded directly as an adjustment to stockholders’ equity. The Company other comprehensive loss for the years ended December 31, 2022 and 2021 was comprised of foreign currency translation adjustments.

### Revenue Recognition

Revenue from the Company is recognized under Topic 606 in a manner that reasonably reflects the delivery of its services and products to customers in return for expected consideration and includes the following elements:

- executed contracts with the Company's customers that it believes are legally enforceable;
- identification of performance obligations in the respective contract;
- determination of the transaction price for each performance obligation in the respective contract;
- Allocation of the transaction price to each performance obligation; and
- recognition of revenue only when the Company satisfies each performance obligation.

These five elements, as applied to each of the Company's revenue category, is summarized below:

- Product sales – revenue is recognized at the time of sale upon the delivery of the equipment to the customer.
- Service sales – revenue is recognized based on the service been provided and the agreed upon performance obligation has been completed to the customer.

Revenue from our project construction is recognized over time using the percentage-of-completion method under the cost approach. The percentage of completion is determined by estimating stage of work completed. Under this approach, recognized contract revenue equals the total estimated contract revenue multiplied by the percentage of completion. Our construction contracts are unit priced, and an account receivable is recorded for amounts invoiced based on actual units produced.

### Cost of Revenue, excluding depreciation & amortization

Cost of revenue includes the cost of services, labor and product incurred to provide product sales, service sales and project sales.

### Research and development

Research and development costs are expensed as incurred. Research and development costs primarily consist of efforts to refine existing product models and develop new product models.

### Related Parties

The Company follows ASC 850-10 for the identification of related parties and disclosure of related party transactions. Pursuant to ASC 850-10-20 the related parties include: a) affiliates of the Company; b) entities for which investments in their equity securities would be required, absent the election of the fair value option under the Fair Value Option Subsection of ASC 825-10-15, to be accounted for by the equity method by the investing entity; c) trusts for the benefit of employees, such as pension and profit-sharing trusts that are managed by or under the trusteeship of management; d) principal owners of the Company; e) management of the Company; f) other parties with which the Company may deal if one party controls or can significantly influence the management or operating policies of the other to an extent that one of the transacting parties might be prevented from fully pursuing its own separate interests; and g) other parties that can significantly influence the management or operating policies of the transacting parties or that have an ownership interest in one of the transacting parties and can significantly influence the other to an extent that one or more of the transacting parties might be prevented from fully pursuing its own separate interests.

The consolidated financial statements shall include disclosures of material related party transactions, other than compensation arrangements, expense allowances, and other similar items in the ordinary course of business. However, disclosure of transactions that are eliminated in the preparation of consolidated financial statements is not required in those statements. The disclosures shall include: (a) the nature of the relationship(s) involved; (b) a description of the transactions, including transactions to which no amounts or nominal amounts were ascribed, for each of the periods for which income statements are presented, and such other information deemed necessary to an understanding of the effects of the transactions on the consolidated financial statements; (c) the dollar amounts of transactions for each of the periods for which income statements are presented and the effects of any change in the method of establishing the terms from that used in the preceding period; and (d) amounts due from or to related parties as of the date of each balance sheet presented and, if not otherwise apparent, the terms and manner of settlement.

#### Commitments and Contingencies

The Company follows ASC 450-20 to report accounting for contingencies. Certain conditions may exist as of the date the consolidated financial statements are issued, which may result in a loss to the Company, but which will only be resolved when one or more future events occur or fail to occur. The Company assesses such contingent liabilities, and such assessment inherently involves an exercise of judgment. In assessing loss contingencies related to legal proceedings that are pending against the Company or unasserted claims that may result in such proceedings, the Company evaluates the perceived merits of any legal proceedings or unasserted claims as well as the perceived merits of the amount of relief sought or expected to be sought therein.

If the assessment of a contingency indicates that it is probable that a material loss has been incurred and the amount of the liability can be estimated, then the estimated liability would be accrued in the Company's consolidated financial statements. If the assessment indicates that a potential material loss contingency is not probable but is reasonably possible, or is probable but cannot be estimated, then the nature of the contingent liability, and an estimate of the range of possible losses, if determinable and material, would be disclosed.

Loss contingencies considered remote are generally not disclosed unless they involve guarantees, in which case the guarantees would be disclosed. Management does not believe, based upon information available at this time that these matters will have a material adverse effect on the Company's financial position, results of operations or cash flows. However, there is no assurance that such matters will not materially and adversely affect the Company's business, financial position, and results of operations or cash flows.

#### Income Tax Provision

The Company accounts for income taxes in accordance with ASC Topic 740, Income Taxes. ASC 740 requires a company to use the asset and liability method of accounting for income taxes, whereby deferred tax assets are recognized for deductible temporary differences, and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, the Company does not foresee generating taxable income in the near future and utilizing its deferred tax asset, therefore, it is more likely than not that some portion, or all of, the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

Under ASC 740, a tax position is recognized as a benefit only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the "more likely than not" test, no tax benefit is recorded. The Company has no material uncertain tax positions for any of the reporting periods presented.

Income taxes are accounted for using the asset and liability method. Deferred income taxes are provided for temporary differences in recognizing certain income, expense and credit items for financial reporting purposes and tax reporting purposes. Such deferred income taxes primarily relate to the difference between the tax basis of assets and liabilities and their financial reporting amounts. Deferred tax assets and liabilities are measured by applying enacted statutory tax rates applicable to the future years in which deferred tax assets or liabilities are expected to be settled or realized. There was no material deferred tax asset or liabilities as of December 31, 2022 and 2021.

As of December 31, 2022 and 2021, the Company did not identify any material uncertain tax positions.

Basic and Diluted Net Income (Loss) Per Share

Net income (loss) per share is computed pursuant to ASC 260-10-45. Basic net income (loss) per share (“EPS”) is computed by dividing net income (loss) by the weighted average number of shares outstanding during the period.

Diluted EPS is computed by dividing net income (loss) by the weighted average number of shares of stock and potentially outstanding shares of stock during the period to reflect the potential dilution that could occur from common shares issuable through contingent shares issuance arrangement, stock options or warrants.

Due to the net loss incurred by the Company, potentially dilutive instruments would be anti-dilutive. Accordingly, diluted loss per share is the same as basic loss for all periods presented. The following potentially dilutive shares were excluded from the shares used to calculate diluted earnings per share as their inclusion would be anti-dilutive.

	<u>Year ended December 31,</u>	<u>2022</u>	<u>2021</u>
Stock options		305,616	315,288
Total		<u>305,616</u>	<u>315,288</u>

Subsequent Events

The Company follows the guidance in ASC 855-10-50 for the disclosure of subsequent events. The Company will evaluate subsequent events through the date when the financial statements were issued. Pursuant to ASU 2010-09, the Company as an SEC filer considers its financial statements issued when they are widely distributed to users, such as through filing them on EDGAR.

Reclassification

Certain reclassifications have been made to the consolidated financial statements for prior years to the current year’s presentation. Such reclassifications have no effect on net income as previously reported.

Foreign Currency Translation and Transactions

The reporting and functional currency of Focus is the USD. The functional currency of Focus Universal (Shenzhen) Technology Co. LTD, a wholly owned subsidiary of Focus located in China, is the Renminbi (“RMB”).

For financial reporting purposes, the financial statements of the Company’s Chinese subsidiary, which are prepared using the RMB, are translated into the Company’s reporting currency, USD. Assets and liabilities are translated using the exchange rate on the balance sheet date. Revenue and expenses are translated using average exchange rates prevailing during each reporting period. Stockholders’ equity is translated at historical exchange rates. Adjustments resulting from the translation are recorded as a separate component of accumulated other comprehensive loss in stockholders’ equity.

Transactions denominated in currencies other than the functional currency are translated into the functional currency at the exchange rates prevailing at the dates of the transactions. The resulting exchange difference, presented as foreign currency transaction loss, is included in the accompanying consolidated statements of operations. The exchange rates used for consolidated financial statements are as follows:

	Average Rate for the Year Ended December 31,			
	2022		2021	
China Yuan (RMB)	RMB	6.7263	RMB	6.3714
United States Dollar (\$)	\$	1.0000	\$	1.0000

	Exchange Rate at			
	December 31, 2022		December 31, 2021	
China Yuan (RMB)	RMB	6.8973	RMB	6.4466
United States Dollar (\$)	\$	1.0000	\$	1.0000

### Note 3 – Recent Accounting Pronouncement

In June 2016, the FASB issued ASU No. 2016-13, (Topic 326), Financial Instruments – Credit Losses: Measurement of Credit Losses on Financial Instruments which amends the current accounting guidance and requires the use of the new forward-looking “expected loss” model, rather than the “incurred loss” model, which requires all expected losses to be determined based on historical experience, current conditions and reasonable and supportable forecasts. This guidance amends the accounting for credit losses for most financial assets and certain other instruments including trade and other receivables, held-to-maturity debt securities, loans and other instruments. In November 2019, the FASB issued ASU No. 2019-10 to postpone the effective date of ASU No. 2016-13 for public business entities eligible to be smaller reporting companies defined by the SEC to fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. The Company believes the adoption of ASU No. 2016-13 will not have a material impact on its financial position and results of operations.

Management does not believe that any recently issued, but not yet effective, accounting standards could have a material effect on the accompanying financial statements. As new accounting pronouncements are issued, we will adopt those that are applicable under the circumstances.

### Note 4 – Inventories

At December 31, 2022 and 2021, inventory consisted of the following:

	December 31, 2022	December 31, 2021
Parts	\$ 3,767	\$ 12,470
Finished goods	100,005	10,419
Inventories	\$ 103,772	\$ 22,889

### Note 5 – Deposits

Deposit balance as of December 31, 2022, amounted to \$33,264 for lease agreement and utility deposit. Deposit balance as of December 31, 2021, amounted to \$39,901 for lease agreement and utility deposit.

## Note 6 – Property and Equipment

At December 31, 2022 and 2021, property and equipment consisted of the following:

	December 31, 2022	December 31, 2021
Warehouse	\$ 3,789,773	\$ 3,789,773
Land	731,515	731,515
Building improvement	240,256	238,666
Furniture and fixture	37,785	27,631
Equipment	101,076	71,368
Software	1,995	1,995
Total cost	4,902,400	4,860,948
Less accumulated depreciation	(673,770)	(507,608)
Property and equipment, net	\$ 4,228,630	\$ 4,353,340

Depreciation expense for the years ended December 31, 2022 and 2021 amounted to \$166,266 and \$162,160, respectively.

## Note 7 – Related Party Transactions

Revenue generated from Vitashower Corp., a company owned by the Chief Executive Officer's wife, amounted to \$41,536 and \$29,084 for the year ended December 31, 2022 and 2021, respectively. Account receivable balance due from Vitashower Corp. amounted to \$34,507 and \$15,176 as of December 31, 2022 and 2021, respectively.

Service revenue generated from the installation of home security equipment by AVX for one of the Company's directors, amounted to \$8,246 and \$0 for the year ended December 31, 2022 and 2021, respectively.

Compensation for services provided by the President and Chief Executive Officer for the year ended December 31, 2022 and 2021 amounted to \$141,020 and \$124,615, respectively. Of subsequent note, Tianjin Guanglee was once owned by the Chief Executive Officer Desheng Wang, as fully disclosed in the annual report in 2017. Since then, during 2018, the entity was transferred to another individual and was not considered a related party transaction per guidelines.

## Note 8 – Business Concentration and Risks

### Major customers

Four customers accounted for 11% of the total accounts receivable as of December 31, 2022 and those customers accounted for 49% of total revenue for the years ended December 31, 2022.

One customer accounted 9% of the total accounts receivable as of December 31, 2021 and this customer accounted for 77% of total revenue for the year ended December 31, 2021.

### Major vendors

One vendor, Tianjin Guanglee, accounted for 65% and 0% of total accounts payable at December 31, 2022 and 2021, respectively. This same vendor, Tianjin Guanglee, accounted for 22% and 81% of the total purchases for the years ended December 31, 2022 and 2021, respectively.

## Note 9 – Leases

The Company recorded its operating lease cost of \$209,738 and \$67,664 for the years ended December 31, 2022 and 2021, respectively. This included in general and administrative expenses.

On April 8, 2015, AVX Design & Integration Inc. entered an eighty-six-month commercial lease with a third party for an approximately 2,592 square foot office space. The lease commenced on July 1, 2015, and ended upon August 31, 2022, as AVX operations moved into our corporate headquarters in Ontario. The monthly rent is \$4,536 with approximately a 3% increase rate in each additional year. The incremental borrowing rate for a lease is the rate of interest the Company would have to pay on a collateralized basis to borrow an amount equal to the lease payments for the asset under similar term, which is 15%. Lease expense for the lease is recognized on a straight-line basis over the lease term.

On December 7, 2021, Focus Universal (Shenzhen) Technology Co. LTD entered a thirty-eight-month commercial lease with a third party for an approximately 5,895 square foot office space. The lease commenced on December 25, 2021, and will end on February 28, 2025. The monthly rent is RMB70,097 (approximately \$11,014) with approximately an 11.1% to 12.5% increase rate in each additional year. The incremental borrowing rate for a lease is the rate of interest the Company would have to pay on a collateralized basis to borrow an amount equal to the lease payments for the asset under similar term, which is 10%. Lease expense for the lease is recognized on a straight-line basis over the lease term.

Operating lease right-of-use assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. As of December 31, 2022 and 2021, operating lease right-of-use assets and lease liabilities were as follows:

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Operating lease right-of-use assets	\$ 253,336	\$ 420,137
Lease liabilities, current portion	\$ 113,058	\$ 121,568
Lease liabilities, less current portion	\$ 165,952	\$ 302,387

Lease term and discount rate:

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Weighted average remaining lease term		
Operating lease	2.17 years	0.67 to 3.17 years
Weighted average discount rate		
Operating lease	10%	10% - 15%

The minimum future lease payments are as follows:

	<b>Amount</b>
Year ending December 31, 2023	\$ 135,929
Year ending December 31, 2024	151,173
Year ending December 31, 2025	25,407
Total minimum lease payment	312,509
Less: imputed interest	(33,499)
Present value of future minimum lease payments	<u>\$ 279,010</u>



**Note 10 – Loans**Paycheck Protection Program

On March 2, 2021, our subsidiary Perfecular Inc. entered into an agreement to receive a U.S. Small Business Administration Loan (“SBA Loan”) from Wells Fargo related to the COVID-19 pandemic in the amount of \$158,547, which we received on March 3, 2021. The SBA Loan has a fixed interest rate of 1 percent per annum and a maturity date two years from the date loan was issued. On April 4, 2022, the SBA authorized full forgiveness of this loan principal amount of \$158,547 and \$1,570 interest.

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
SBA Loan	\$ –	\$ 158,547
Less: current portion	–	(132,618)
Long term portion	<u>\$ –</u>	<u>\$ 25,929</u>

**Note 11 – Stockholders’ Equity**Shares authorized

Upon formation, the total number of shares of all classes of stock that the Company is authorized to issue is seventy-five million (75,000,000) shares of common stock, par value \$0.001 per share.

Common stock

During the year ended December 31, 2022, the Company issued 271,174 shares of common stock.

On April 4, 2022, the Company issued 121,149 shares of its Common Stock to Boustead Securities LLC. (“Boustead”), issued pursuant to the cashless warrant exercise, exercised by Boustead on September 7, 2021 with an exercise price of \$6.25 with the shares were valued at \$1,776,044 upon the cashless exercise option of the warrants related to the completion of the Company’s August 30, 2021, public offering in connection with its listing on Nasdaq.

On May 2, 2022, the Company issued 32,627 shares to consultants in exchange for professional services rendered. The shares were valued at \$154,709 based on the closing price of the Company’s common stock on the dates that the shares were deemed earned, according to the agreements.

On August 17, 2022, the Company issued 54,898 shares to two of the board members who exercised their options.

On August 22, 2022, the Company issued 62,500 shares to employee based on the Restricted Stock Award Agreements (see Employee compensation).

During the year ended December 31, 2021, the Company issued 2,300,000 shares of common stock.

On September 2, 2021, the Company closed its initial public offering (“IPO”) under a registration statement effective August 30, 2021, in which it issued and sold 2,000,000 shares of its Common Stock at a purchase price of \$5.00 per share. On September 2, 2021, the Company closed on the IPO’s overallotment option, selling an additional 300,000 shares of Common Stock to the IPO’s underwriters at the public offering price of \$5.00 per share. The Company received net proceeds of approximately \$10.3 million from the IPO after deducting underwriting fee and offering expenses.

As of December 31, 2022 and 2021, the Company had 43,530,915 and 43,259,741 shares of common stock issued and outstanding, respectively.

Treasury stock

On August 10, 2022, the Company entered a stock purchase agreement with a private shareholder to repurchase 400,000 shares of its common stock for \$2,000,000 and placed it in treasury. The private shareholder transferred the shares on October 4, 2022, forming a binding agreement, and on October 6, 2022, the Company wired the first \$1,000,000 of the purchase price. The remaining \$1,000,000 was due on or before February 6, 2023. This \$1,000,000 is still not paid off as of the filing date.

Shares to be issued for compensation

The Company entered into agreements with third party consultants for financing and management consulting. The Company has incurred consulting service fees paid in cash amounting to \$8,000 for the year ended December 31, 2022, which the Company intends to issue stock as compensation for services rendered. Expenses incurred and paid in shares as of December 31, 2022 and 2021 amounted to \$8,000 and \$48,000, respectively.

On August 30, 2021, the Company entered into a Representative Common Stock Purchase Warrant agreement (“Warrant Agreement”) with its placement agent, Boustead Securities LLC. (“Boustead”) for 161,000 shares and the exercise price is \$6.25. Boustead exercised the warrants on September 7, 2021. The fair value of the warrants was \$1,041,670 and \$2,326,450 as of August 30 and September 7, 2021, respectively. For the year ended December 31, 2022 and 2021, the Company recorded a loss from change in the fair value of warrant liability which amounted to a difference of \$0 and \$1,284,780, respectively.

These warrants were valued using a Black-Scholes pricing model with the following assumptions:

	<b>August 30, 2021 (Initial Measurement)</b>	<b>September 7, 2021</b>
Risk-free interest rate	0.77%	0.82%
Expected term	5 years	5 years
Expected volatility	194.37%	204.27%
Expected dividend yield	0%	0%
Fair value of units (using Black-Scholes)	\$ 6.47	\$ 14.45

This Warrant Agreement allowed for cashless exercise option, which is calculated by the percentage difference between exercise and trading price, which resulted in a reduced number of warrants being exercisable. On September 7, 2021, Boustead exercised 121,149 warrants with fair value of \$1,776,044 upon cashless exercise option of warrants related to completion of the Company’s public offering. The shares will be issued six months after these warrants have been exercised. For the year ended December 31, 2022 and 2021, the Company has a gain on settlement of derivative liability which amounted to \$0 and \$550,406, respectively. Shares to be issued as of December 31, 2022 and December 31, 2021 amounted to \$0 and \$1,776,044, respectively.

### Employee compensation

On February 11, 2022 (“Vesting Date”), the Company entered into a Restricted Stock Award Agreement (“Award Agreement”) with eight employees for 280,000 shares of the \$0.001 par value voting common stock subject to the terms and to the fulfillment of the conditions set in the Company’s equity incentive plan. The first 20% of the restricted shares was granted and vested on February 11, 2022 (the “Vesting Date”). Twenty percent of the restricted shares will vest on each anniversary of the Vesting Date until fourth anniversary of the Vesting Date. There were 56,000 shares granted on February 11, 2022. The fair value of above employee compensation was \$588,560 as of December 31, 2022.

In November 2021, the Company entered into a one-year employment agreement with VP of Finance and Head of Investor Relations of the Company, pursuant to which the Company rewards a 10,000-share bonus consisting of shares of \$0.001 par value voting common stock, which will be granted in 2,500 blocks every quarter based on certain performance metrics. In November 2022, the Company entered into an amendment agreement to amend performance metrics.

In October 2022, the Company entered into a employee agreement with VP of the Company, pursuant to which the Company rewards a 10,000-share bonus consisting of shares of \$0.001 par value voting common stock, which will be granted in 2,500 shares every quarter.

During the years ended December 31, 2022 and 2021, the total employee compensation amount for all employees in the company, was \$711,975 and \$0, respectively. The Company issued 62,500 shares with total value of \$663,900 for employee compensation as of the year ended December 31, 2022. During the year ended December 31, 2022, the Company recognized employee compensation in amount of \$107,390 for the fixed salary of the VP of Finance and \$16,025 for the VP. The Company has incurred expenses amount of \$48,075 employee compensation for the year ended December 31, 2022 and not yet paid in shares as of December 31, 2022.

### Stock options

On August 6, 2019, each member of the Board was granted 30,000 options to purchase shares at \$5.70 per share.

On January 4, 2021, each member of the Board was granted 15,000 options to purchase shares at \$3.00 per share.

On December 31, 2021, each member of the Board was granted 15,000 options to purchase shares at \$8.86 per share.

On December 30, 2022, each member of the Board was granted 15,000 options to purchase shares at \$6.41 per share.

As of December 31, 2022, there were 410,041 options granted, 305,616 options vested, 104,425 options unvested, and 410,041 outstanding stock options.

For the years ended December 31, 2022 and 2021, the Company’s stock option compensation expenses amounted to \$849,043 and \$429,856, respectively.

The fair value of the stock options listed above was determined using the Black-Scholes option pricing model with the following assumptions:

	December 31, 2022	December 31, 2021
Risk-free interest rate	4.22%	0.93 – 1.52%
Expected life of the options	3 years	10 years
Expected volatility	42.63%	122.93 – 148.18%
Expected dividend yield	0%	0%

The following is a summary of options activity from December 31, 2021 to December 31, 2022:

Options	Shares	Weighted average exercise price	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value
Outstanding at December 31, 2021	420,000	\$ 5.82	8.56	–
Granted	105,000	\$ 6.41	–	–
Exercised	(107,500)	\$ 5.46	–	–
Cancelled or forfeited	(7,459)	\$ 8.86	–	–
Outstanding at December 31, 2022	410,041	\$ 5.93	8.04	362,250
Exercisable at December 31, 2022	305,616	\$ 5.87	7.58	362,250

## Note 12 – Segment reporting

The Company consists of three types of operations. (1) Focus and Focus Shenzhen (“Corporate”) involve operations related to research and development of technology products, non-specific financing, executive expense, operations and investor relations of the public entity, and general shared management and costs across subsidiary units which spread across all functional categories. (2) Perfecular and Lusher (“IoT Products”) involve wholesale, marketing, and production of universal smart instruments and devices in the hydroponic and controlled agricultural segments. (3) AVX (“IoT Installation Services”) is an IoT installation and management company specializing in high performance and easy to use audio/video, home theater, lighting control, automation, and integration. The table below discloses income statement information by segment.

	<b>Year Ended December 31, 2022</b>			
	<u>Corporate</u>	<u>IoT Products</u>	<u>IoT Installation Services</u>	<u>Total</u>
Revenue	\$ —	\$ 51,302	\$ 252,535	\$ 303,837
Revenue - related party	—	41,536	8,246	49,782
Total revenue	—	92,838	260,781	353,619
Cost of revenue	—	84,296	246,603	330,899
Gross Profit	—	8,542	14,178	22,720
Operating Expenses				
Selling expense	—	132,443	9,929	142,372
Compensation - officers and directors	1,055,133	—	—	1,055,133
Research and development	1,060,385	—	—	1,060,385
Professional fees	883,213	—	13,172	896,385
General and administrative	1,465,121	316,617	292,353	2,074,091
Total Cost and Operating Expenses	4,463,852	449,060	315,454	5,228,366
Loss from Operations	(4,463,852)	(440,518)	(301,276)	(5,205,646)
Other Income (Expense):				
Interest income (expense), net	4,109	(288)	66	3,887
Gain on extinguishment of debt	—	158,547	—	158,547
Unrealized loss on marketable equity securities	(42,395)	—	—	(42,395)
Realized loss on marketable equity securities	(21,205)	—	—	(21,205)
Rental income	166,288	—	—	166,288
Other income (expense), net	20,368	—	(6,781)	13,587
Total other income (expense)	127,165	158,259	(6,715)	278,709
Loss before income taxes	(4,336,687)	(282,259)	(307,991)	(4,926,937)
Tax expense	—	—	—	—
Net Loss	<u>\$ (4,336,687)</u>	<u>\$ (282,259)</u>	<u>\$ (307,991)</u>	<u>\$ (4,926,937)</u>

## Note 13 – Commitments and Contingencies

### Pending Litigation

On or about April 13, 2020, Ian Patterson, the Chief Operations Officer of AVX resigned from his position. On May 5, 2020, Mr. Patterson filed an action in the Superior Court for the County of Los Angeles, State of California, against the Company, et al. The complaint alleges claims including discrimination, wrongful termination, retaliation and various other provisions of the California Labor Code, and various other claims under California state law. Trial for this matter is not set, nor has discovery been conducted. AVX intends to contest this matter. Further, AVX disputes that the other defendants are proper parties to the litigation. However, litigation and investigations are inherently uncertain, but the outcome could have a material impact on the Company.

Similarly, on or about April 14, 2020, Devesa Sarria, the Sales and Marketing Director, was terminated. On May 13, 2020, she filed an action in the Superior Court for the County of Los Angeles, State of California. The Complaint alleges claims including discrimination, wrongful termination, retaliation and various other provisions of the California Labor Code, and various other claims under California state law. The complaint seeks unspecified economic and non-economic losses, as well as attorneys' fees. Trial is set for October 11, 2023. AVX intends to vigorously contest this matter. Further, AVX disputes that the other defendants are proper parties to the litigation. However, litigation and investigations are inherently uncertain, but the outcome could have a material impact on the Company.

On January 19, 2023, the company filed an action in the Superior Court of California, County of San Bernardino against Jaqueline Li. AVX Design and Integration pre-paid for equipment toward a joint project with her father Jeffrey Li. Payment was made to Jaqueline's father's company Sing Young Music, while no goods or services were ever received. Upon death, Jacqueline Li distributed assets from the business Sing Young Music without consideration toward the business entity or any formation of an estate for Jeffrey Li. We attended the trial on March 17, 2023 to represent our side of the case and are awaiting judgement from the court.

## Note 14 – Income taxes

### *The United States of America*

The Company is subject to taxation in the United States and certain state jurisdictions. The provision for income taxes differs from the amounts which would be provided by applying the statutory federal income tax rate of 21% to the net loss before provision for income taxes. Accordingly, the Company reevaluated its deferred tax assets on net operating loss carryforward in the U.S. As of December 31, 2022, due to uncertainties surrounding future utilization, the Company recorded a full valuation allowance against the deferred tax assets based upon management's assessment as to their realization.

### *People's Republic of China*

Effective January 1, 2008, the New Taxation Law of PRC stipulates that domestic enterprises and foreign invested enterprises (the "FIEs") are subject to a uniform tax rate of 25%. Under the PRC tax law, companies are required to make quarterly estimate payments based on 25% tax rate; companies that received preferential tax rates are also required to use a 25% tax rate for their installment tax payments. The overpayment, however, will not be refunded and can only be used to offset future tax liabilities.

Our effective tax rate differs from the statutory federal income tax rate, primarily as a result of the changes in valuation allowance, nondeductible permanent differences, credits, and state income taxes.

A reconciliation of the federal statutory income tax to our effective income tax is as follows:

	2022	2021
Federal statutory rates	\$ (1,034,596)	\$ (673,266)
State income taxes	(435,516)	(283,413)
Foreign income taxes	(129,904)	(857)
Permanent differences	(86)	(3,439)
Valuation allowance against net deferred tax assets	1,600,102	960,975
Effective rate	<u>\$ –</u>	<u>\$ –</u>

The tax effect of temporary differences that give rise to a significant portion of the deferred tax assets and liabilities at December 31, 2022 and 2021 is presented below:

	2022	2021
Deferred income tax asset		
Net operating loss carryforwards	\$ 5,261,884	\$ 3,661,868
Interest	43,786	43,700
Total deferred income tax asset	5,305,670	3,705,568
Less: valuation allowance	(5,305,670)	(3,705,568)
Total deferred income tax asset	\$ —	\$ —

The Company recognizes valuation allowances to reduce deferred tax assets to the amount that is more likely than not to be realized. The Company's net deferred income tax asset is not more likely than not to be realized due to the lack of sufficient sources of future taxable income and cumulative losses that have resulted over the years. During the year ended December 31, 2022 the valuation allowance increased by \$1,600,102.

As of December 31, 2022, we had cumulative net operating loss carryforwards for federal and state income tax purposes of \$17,718,495, and available tax credit carryforwards of approximately \$3,611,045 for federal income tax purposes, which can be carried forward to offset future taxable income. The federal net operating loss carryforwards consists of \$12,268,804 of losses incurred prior to January 1, 2022 and which can be used to offset 100% of future taxable income and, \$4,926,649 of losses incurred after January 1, 2022, which can be used to offset up to 80% of taxable income in subsequent years.

#### Note 15 – Subsequent Events

As of January 6, 2023, the Company completed the business combination of AT Tech Systems. The transaction included AT Tech Systems' business, including its cash and cash equivalents, accounts receivable, professional licenses, customer lists and corresponding client relationships, trademarks, trade names, brand names, goodwill and related intangible assets, inventory, and all other assigned contracts. While the agreement was signed on December 19, 2022, in order to complete control, a new entity AT Tech Systems LLC needed to be formed, which was completed on January 6, 2023. The Company also hired certain employees of AT Tech Systems' business, assuming employment obligations as of December 30, 2022, despite the control of the entity being completed thereafter. AT Tech Systems LLC is now a subsidiary of Focus Universal, as defined in ASC 805, *Business Combinations*. The Company has integrated the acquired assets and employees throughout its existing business, including key employees serving dual roles with AVX Design and Integration. For example, Mr. Anthony Tejeda will serve as the Company's director of installation services, as the vice president of operations of AVX, and as chief operating officer of AT Tech Systems LLC. In addition to the provision of services in the positions mentioned above, Mr. Tejeda shall assist with AVX's management and train certain of its personnel in performing installations. The employment agreement of Mr. Tejeda is for a term of 5 years. The onboarding of Mr. Tejeda, who has extensive experience and expertise in commercial smart installations, will complement the smart installation services and allow Focus and AVX to enter the commercial smart installation market. AT Tech Systems has several clients from medical/dental facilities, commercial, and industrial projects, including notable manufacturers and wholesalers, and provides clients with integrated network, security, and multimedia design solutions and technology systems.

As of February 7, the Company approved a fifty percent (50%) stock dividend of the Company's common stock. The Company will issue one share of common stock for every two shares of common stock held. The record date for the stock dividend will be February 23, 2023, and the payment date will be March 23, 2023. The Company's common stock shares will be traded in accordance with the "due bill" procedures of NASDAQ from February 7, 2023 through March 2, 2023. This means any trades that are executed on the NASDAQ Stock Exchange during this period will be identified to ensure purchasers of the Company's common stock receive the entitlement to the stock dividend. The Company's common stock shares are expected to begin trading on a post-stock dividend basis on the NASDAQ Stock Exchange on March 23, 2023.

As of February 13, 2023, the Company granted and vested the second 20% of the restricted shares based on 2022 Award Agreement, which is 34,000 shares with the total fair value of \$205,360.

As of February 16, 2023, one of the Company predecessor Director accept the cashless exercise of his entirety grant options to be exercised for 7,238 shares.

As of March 1, 2023, the Company reduced its previously announced at-the-market (ATM) offering from December 12, 2022 from US \$25 million to US \$1 million.

As of March 8, 2023, the Board of Directors also agreed to include on the Annual Shareholder Meeting ballot the increase of share count from 75,000,000 to 750,000,000. This increase is to facilitate additional stock dividends in the future as needed.

The Company has evaluated other subsequent events through the date these consolidated financial statements were issued and determined that there were no other subsequent events or transactions that require recognition or disclosures in the consolidated financial statements.

## **Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

None.

### **Item 9A. CONTROLS AND PROCEDURES**

#### **Evaluation of Disclosure Controls**

Our Chief Executive Officer and Principal Financial Officer, after evaluating the effectiveness of our “disclosure controls and procedures” (as defined in the Securities Exchange Act of 1934 Rules 13a-15(e) and 15d-15(e)) as of the end of the period covered by this Annual Report on Form 10-K (the “Evaluation Date”), concluded that as of the Evaluation Date, our disclosure controls and procedures were not effective to provide reasonable assurance that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission rules and forms.

#### **Changes in internal control over financial reporting.**

There were no changes in our internal control over financial reporting during our most recent fiscal quarter that materially affected, or were reasonably likely to materially affect, our internal control over financial reporting.

#### **Limitations on the Effectiveness of Internal Controls**

Disclosure controls and procedures, no matter how well designed and implemented, can provide only reasonable assurance of achieving an entity’s disclosure objectives. The likelihood of achieving such objectives is affected by limitations inherent in disclosure controls and procedures. These include the fact that human judgment in decision-making can be faulty and that breakdowns in internal control can occur because of human failures such as simple errors or mistakes or intentional circumvention of the established process.

#### **Management’s Report on Internal Control over Financial Reporting**

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in the Securities Exchange Act of 1934 Rule 13a-15(f). Our management conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in Internal Control - Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission (the “COSO Framework”). Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of our financial statements for external purposes in accordance with U.S. GAAP.

A material weakness is a deficiency or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. An effective internal control system, no matter how well designed, has inherent limitations, including the possibility of human error or overriding of controls, and therefore can provide only reasonable assurance with respect to reliable financial reporting. Because of its inherent limitations, our internal control over financial reporting may not prevent or detect all misstatements, including the possibility of human error, the circumvention or overriding of controls or fraud. Effective internal controls can provide only reasonable assurance with respect to the preparation and fair presentation of financial statements.

In connection with the audit of our financial statements as of and for the years ended December 31, 2022 and 2021, we identified significant deficiencies in our internal control over financial reporting and a general understanding of U.S. GAAP. As such, there is a reasonable possibility that a misstatement of our financial statements will not be prevented or detected on a timely basis.

As we have thus far not needed to comply with Section 404 of the Sarbanes-Oxley Act, neither we nor our independent registered public accounting firm has performed an evaluation of our internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act. In light of this deficiency, we believe that it is possible that certain control deficiencies and material weaknesses may have been identified if such an evaluation had been performed.

We are working to remediate the deficiencies and material weaknesses. Our remediation efforts are ongoing, and we will continue our initiatives to implement and document policies, procedures, and internal controls. We have taken steps to enhance our internal control environment and plan to take additional steps to remediate the deficiencies and address material weaknesses. Specifically:

- We have hired our Vice President of Finance. We have also hired additional outside consultants, and we will hire qualified personnel in our accounting department, especially to add an experienced accountant in a controller capacity. We will continue to evaluate the structure of the finance organization and add resources as needed;
- We are engaging an external accounting firm to supplement our efforts to the implementation of the COSO Framework for internal controls;
- We will design and implement internal controls related to revenue and expenses recognition accounting;
- We are initiating a comprehensive program and development plan to provide ongoing company-wide trainings regarding internal controls, with particular emphasis on the training of our accounting staff;
- We are implementing additional internal reporting procedures, including those designed to add depth to our review processes and improve our segregation of duties;
- We are updating our systems so that we may collect the information necessary to enable us to more effectively monitor and comply with applicable filing requirements on a timely basis;
- We will continue to enhance risk assessment procedures and conduct a comprehensive risk assessment to enhance overall compliance; and
- We are redesigning and implementing common internal control activities; and we will continue to establish policies and procedures and enhance corporate oversight over process-level controls and structures to ensure that there is appropriate assignment of authority, responsibility and accountability to enable remediating our material weaknesses.

In addition to the items noted above, as we continue to evaluate, remediate and improve our internal control over financial reporting, executive management may elect to implement additional measures to address control deficiencies or may determine that the remediation efforts described above require modification. Executive management, in consultation with and at the direction of our Audit Committee, will continue to assess the control environment and the above-mentioned efforts to remediate the underlying causes of the identified material weaknesses.

Although we plan to complete this remediation process as quickly as possible, we are unable, at this time to estimate how long it will take; and our efforts may not be successful in remediating the deficiencies or material weaknesses.

This annual report does not include an attestation report of the Company's independent registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's independent registered public accounting firm pursuant to rules of the SEC that permit the company to provide only management's report on internal control in this annual report.

**Item 9B. OTHER INFORMATION**

None.

**Item 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS**

Not applicable.



## PART III

### Item 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The following table presents information with respect to our officers, directors and significant employees as of the date of this report:

<u>Name</u>	<u>Position</u>	<u>Age</u>
Dr. Edward Lee*	Director and Chairman	59
Dr. Desheng Wang**	Chief Executive Officer, Secretary, and Director	58
Irving Kau*****	Chief Financial Officer	48
Dr. Jennifer Gu*	Director	55
Michael Pope****	Director (1)	42
Sheri Lofgren****	Director (1)	66
Carine Clark****	Director (1)	59
Sean Warren*****	Director (1)	51

\* Appointed director on October 21, 2015

\*\* Appointed director on December 29, 2014

\*\*\*\* Appointed director on June 8, 2018

\*\*\*\*\* Appointed director on August 10, 2022

\*\*\*\*\* Appointed officer on November 18, 2022

(1) Independent director

Each director serves until our next annual meeting of the stockholders or unless they resign earlier and serves until his or her successor is elected and qualified. At the present time, members of the Board of Directors are not compensated with cash for their services to the board.

Each of our officers is elected by the Board of Directors to a term of one (1) year and serves until his or her successor is duly elected and qualified, or until he or she is removed from office.

#### *Biographical Information Regarding Officers and Directors*

##### **Desheng Wang**

Dr. Desheng Wang was appointed as Chief Executive Officer, Secretary, and has been a director since December 29, 2014. Dr. Wang has over 20 years of professional experience in mobile technology. Dr. Wang earned his bachelor's degree from Hebei Normal University, Physics Department in 1985. In 1988, Dr. Wang earned his master's degree from Dalian Institute of Chemical Physics at the Chinese Academy of Science. Dr. Wang earned his Ph.D. in Chemistry at Emory University in 1994. Dr. Wang served as a senior research fellow at California Institute of Technology from 1994-2011. Over the last five years, Dr. Wang has served as president of Vitashower Corporation and formerly as President of Perfecular Inc.

##### **Edward Lee**

Dr. Edward Lee was appointed President and director on October 21, 2015. On November 15, 2019, Dr. Lee resigned as President and was appointed as Chairman of the Board of Directors. Dr. Lee received his bachelor's degree in Mathematics at Lanzhou University in 1983, received his master's degree at University of Science and Technology of China in 1985 and earned his Ph.D. in Mathematics at University of Florida in 1991. Dr. Lee worked as an assistant professor at Tsinghua University in 1986 and National University of Singapore in 1992. Since 1996, Dr. Lee has served as CEO of AIDP, a leading supplier of dietary supplement ingredients, focusing on research and development and marketing and sales of proprietary ingredients like Magtein, KoACT, Predtic X, and Actizin. Dr. Lee is also serving as the Vice Chairperson of the American Chinese CEO Association. Dr. Lee is married to Jennifer Gu, a current director of Focus Universal.

### **Irving Kau**

Irving Kau was appointed as Chief Financial Officer on November 18, 2022, prior to that he served as Focus Universal's Vice President of Finance and Head of Investor Relations since November 10, 2021. Prior to joining the Company, Mr. Kau served as a Managing Partner of both Elementz Ventures and KW Capital Partners, and during his tenure he successfully invested and grew companies across various geographies. The Company expects that as CFO, Mr. Kau will assist with many matters in the near future, including building up the Company's internal businesses, processes and controls, the Company's external outreach and growth measures, as well as strengthen the Company's financial reporting and the investor relations. Prior to his work at Elementz Ventures and KW Capital Partners, Mr. Kau served as the head of Asia at GHS (now known as Seaport Global). Mr. Kau also previously served for approximately 10 years as Chief Financial Officer of an AgBiotech company Origin Agritech Limited (Nasdaq: SEED). During his tenure, shareholders included Wellington Management, Fidelity Investments, Citadel Investments, Heartland Fund, Mitsubishi UFJ, amongst others. Mr. Kau received undergraduate degrees from Johns Hopkins University and a graduate degree from Rice University and pursued a PhD degree in Business Strategy (economics) at USC.

### **Jennifer Gu**

Dr. Jennifer Gu was appointed as a director on October 21, 2015. Dr. Gu earned her bachelor's degree in Biology from University of Florida in 1990 and earned her Ph.D. in Experimental Pathology at University of California, Los Angeles in 1997. She also completed post-doctoral research at the California Institute of Technology in 2004. Since 2005, Dr. Gu served, and is still currently serving, as the Vice President of Research & Development at AIDP. Dr. Gu is married to Edward Lee, the current Chairman of the Board of Directors of Focus Universal.

### **Michael Pope**

Michael Pope was appointed as a director of the Company on June 8, 2018. Mr. Pope serves as the CEO and Chairman at Boxlight Corporation (Nasdaq: BOXL), a global provider of interactive technology solutions, where he has been an executive since July 2015 and director since September 2014. Mr. Pope has led Boxlight through nine acquisitions from 2016 to 2020, a Nasdaq IPO in November 2017, and over \$100 million in debt and equity fundraising. He previously served as Managing Director at Vert Capital, a private equity and advisory firm from October 2011 to October 2016, managing portfolio holdings in the education, consumer products, technology and digital media sectors. Prior to joining Vert Capital, from May 2008 to October 2011, Mr. Pope was Chief Financial Officer and Chief Operating Officer for the Taylor Family in Salt Lake City, managing family investment holdings in consumer products, professional services, real estate and education. Mr. Pope also held positions including senior SEC reporting at Omniture (previously listed on Nasdaq and acquired by Adobe (Nasdaq: ADBE) in 2009) and Assurance Associate at Grant Thornton. Since January 2021, Mr. Pope has served as a member of the board of directors of Novo Integrated Sciences, Inc. (OTCQB: NVOS), a provider of multi-dimensional primary healthcare products and services. He holds an active CPA license and earned his undergraduate and graduate degrees in accounting from Brigham Young University.

### **Sheri Lofgren**

Sheri Lofgren was appointed as an independent director of the Company on June 8, 2018. Ms. Lofgren has served as a financial consultant since March 2018. She served as Chief Financial Officer for Boxlight Corporation (Nasdaq: BOXL), a global education technology provider, from September 2014 to March 2018. She was Chief Financial Officer at Logical Choice Technologies, Inc., a distributor of interactive technologies to the education market, from 2005 to 2013. Ms. Lofgren is a Certified Public Accountant with extensive experience in financial accounting and management, operational improvement, budgeting and cost control, cash management and treasury, along with broad audit experience, internal control knowledge and internal and external reporting. She started her career with KPMG and then joined Tarica and Whittemore, an Atlanta based CPA firm, as an audit manager. Ms. Lofgren is a graduate of Georgia State University where she earned a B.A. in Business Administration – Accounting.

## **Sean Warren**

Sean Warren is a seasoned executive with over 25 years of experience in technology and enterprise technology systems. He brings a wealth of expertise with strengths in areas such as software development, cloud management, enterprise infrastructure development and full spectrum of IT compliance. Sean has been the CIO of Mountain Medical, Veyo Medical and VP of IT at Larry Miller. He has worked for technology companies as Omniture, Adobe and served as the director of cloud operations at Domo from 2016 to 2018. From 2019-2021, Mr. Warren served as the VP of OPSA Change Advisory at Wells Fargo, and since 2021 to the present works as the VP of Global Platform Services at Cotiviti where he manages over 1,000 employees globally in four countries. Sean is fluent in Spanish and graduated from Florida State University in accounting. Mr. Warren previously served on our board of directors from June 2018 to November 28, 2018.

## **Carine Clark**

Carine Clark was appointed as an independent director of the Company on June 8, 2018. Ms. Clark has served as president and CEO of four high-growth tech companies. In March 2019, Ms. Clark was appointed to the board of directors of Domo, Inc. (NASDAQGM: DOMO) and is currently serving as a member of Domo's compensation committee. Since 2017 she has served as an Executive Board Member of the Utah Governor's Office of Economic Development and Silicon Slopes, a non-profit helping Utah's tech community thrive. Prior to that, Ms. Clark served from January 2015 to December 2016 as the President and CEO of MartizCX. From December 2012 to December 2016, Ms. Clark served as the President and CEO of Allegiance, Inc. Her reputation as a data-driven marketing executive at Novell for 14 years, Altiris for five years, and Symantec for more than 10 years. She has received numerous awards including the EY Entrepreneur of The Year® Award in the Utah Region and Utah Business Magazine's CEO of the Year. Ms. Clark earned a bachelor's degree in organizational communications and an MBA from Brigham Young University.

## **Corporate Governance**

Our Board of Directors currently consists of seven members. Our Chairperson of the Board of Directors is Dr. Edward Lee. Dr. Edward Lee, Dr. Desheng Wang and Dr. Jennifer Gu are the three members of our Board of Directors who are not independent directors. Michael Pope, Sheri Lofgren, Sean Warren, and Carine Clark are four members of our Board of Directors who are independent directors.

### *Director Attendance at Meetings*

Our Board of Directors conducts its business through meetings, both in person and telephonic, and by actions taken by written consent in lieu of meetings. During the year ended December 31, 2022, our Board of Directors held four meetings. All directors attended at least 75% of the meetings of our Board of Directors and of the committees of our Board of Directors on which they served during 2022.

Our Board of Directors encourages all directors to attend our annual meetings of stockholders unless it is not reasonably practicable for a director to do so.

### *Committees of our Board of Directors*

Our Board of Directors has established and delegated certain responsibilities to its standing Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee.

### Audit Committee

We have a separately designated standing Audit Committee established in accordance with Section 3(a)(58)(A) of the Exchange Act. The Audit Committee's primary duties and responsibilities include monitoring the integrity of our financial statements, monitoring the independence and performance of our external auditors, and monitoring our compliance with applicable legal and regulatory requirements. The functions of the Audit Committee also include reviewing periodically with our independent registered public accounting firm the performance of the services for which they are engaged, including reviewing the scope of the annual audit and its results, reviewing with management and the auditors the adequacy of our internal accounting controls, reviewing with management and the auditors the financial results prior to the filing of quarterly and annual reports, reviewing fees charged by our independent registered public accounting firm and reviewing any transactions between our Company and related parties. Our independent registered public accounting firm reports directly and is accountable solely to the Audit Committee. The Audit Committee has the sole authority to hire and fire the independent registered public accounting firm and is responsible for the oversight of the performance of their duties, including ensuring the independence of the independent registered public accounting firm. The Audit Committee also approves in advance the retention of, and all fees to be paid to, the independent registered public accounting firm. The rendering of any auditing services and all non-auditing services by the independent registered public accounting firm is subject to prior approval of the Audit Committee.

The Audit Committee operates under a written charter. The Audit Committee is required to be composed of directors who are independent under the rules of the SEC and the listing standards of The NASDAQ Stock Market LLC ("NASDAQ").

The current members of the Audit Committee are directors Ms. Sheri Lofgren, the Chairperson of the Audit Committee, Mr. Michael Pope and Mr. Sean Warren, all of whom have been determined by the Board of Directors to be independent under the NASDAQ listing standards and rules adopted by the SEC applicable to audit committee members. The Board of Directors has determined that Mr. Sheri Lofgren qualifies as an "audit committee financial expert" under the rules adopted by the SEC and the Sarbanes-Oxley Act. The Audit Committee met four times during 2021.

### Compensation Committee

The primary duties and responsibilities of our standing Compensation Committee are to review, modify and approve the overall compensation policies for the Company, including the compensation of the Company's Chief Executive Officer and other senior management; establish and assess the adequacy of director compensation; and approve the adoption, amendment and termination of the Company's stock option plans, pension and profit-sharing plans, bonus plans and similar programs. The Compensation Committee may delegate to one or more officers the authority to make grants of options and restricted stock to eligible individuals other than officers and directors, subject to certain limitations. Additionally, the Compensation Committee has the authority to form subcommittees and to delegate authority to any such subcommittee. The Compensation Committee also has the authority, in its sole discretion, to select, retain and obtain, at the expense of the Company, advice and assistance from internal or external legal, accounting or other advisors and consultants. Moreover, the Compensation Committee has sole authority to retain and terminate any compensation consultant to assist in the evaluation of director, Chief Executive Officer or senior executive compensation, including sole authority to approve such consultant's reasonable fees and other retention terms, all at the Company's expense.

The Compensation Committee operates under a written charter. All members of the Compensation Committee must satisfy the independence requirements of NASDAQ applicable to compensation committee members.

The Compensation Committee currently consists of directors Ms. Carine Clark, Mr. Sean Warren, and Mr. Sheri Lofgren. Ms. Carine Clark is the Chairperson of the Compensation Committee. Each of the Compensation Committee members has been determined by the Board of Directors to be independent under NASDAQ listing standards applicable to compensation committee members. The Compensation Committee met four times during 2021.

## Nominating and Corporate Governance Committee

The Nominating and Corporate Governance Committee identifies, reviews, and evaluates candidates to serve on the Board; reviews and assesses the performance of the Board of Directors and the committees of the Board; and assesses the independence of our directors. The Nominating and Corporate Governance Committee is also responsible for reviewing the composition of the Board's committees and making recommendations to the entire Board of Directors regarding the chairpersonship and membership of each committee. In addition, the Nominating and Corporate Governance Committee is responsible for developing corporate governance principles and periodically reviewing and assessing such principles, as well as periodically reviewing the Company's policy statements to determine their adherence to the Company's Code of Business Conduct and Ethics.

The Nominating and Corporate Governance Committee has adopted a charter that identifies the procedures whereby Board of Director candidates are identified primarily through suggestions made by directors, management, and stockholders of the Company. We have implemented no material changes in the past year to the procedures by which stockholders may recommend nominees for the Board. The Nominating and Corporate Governance Committee will consider director nominees recommended by stockholders that are submitted in writing to the Company's Corporate Secretary in a timely manner and which provide necessary biographical and business experience information regarding the nominee. The Nominating and Corporate Governance Committee does not intend to alter the manner in which it evaluates candidates, including the criteria considered by the Nominating Committee, based on whether or not the candidate was recommended by a stockholder. The Board of Directors does not prescribe any minimum qualifications for director candidates, and all candidates for director will be evaluated based on their qualifications, diversity, age, skill and such other factors as deemed appropriate by the Nominating and Corporate Governance Committee given the current needs of the Board of Directors, the committees of the Board of Directors and the Company. Although the Nominating and Corporate Governance Committee does not have a specific policy on diversity, it considers the criteria noted above in selecting nominees for directors, including members from diverse backgrounds who combine a broad spectrum of experience and expertise. Absent other factors which may be material to its evaluation of a candidate, the Nominating and Corporate Governance Committee expects to recommend to the Board of Directors for selection incumbent directors who express an interest in continuing to serve on the Board. Following its evaluation of a proposed director's candidacy, the Nominating and Corporate Governance Committee will make a recommendation as to whether the Board of Directors should nominate the proposed director candidate for election by the stockholders of the Company.

The Nominating and Corporate Governance Committee operates under a written charter. No member of the Nominating and Corporate Governance Committee may be an employee of the Company, and each member must satisfy the independence requirements of NASDAQ and the SEC.

The Nominating and Corporate Governance Committee currently consists of directors Mr. Sean Warren, who is the Chairperson of the committee, Mr. Michael Pope and Ms. Carine Clark. Each of the members of the Nominating and Corporate Governance Committee has been determined by the Board of Directors to be independent under NASDAQ listing standards. The Nominating and Corporate Governance Committee met four times in 2021.

## **Oversight of Risk Management**

Risk is inherent with every business, and how well a business manages risk can ultimately determine its success. We face a number of risks, including economic risks, financial risks, legal and regulatory risks and others, such as the impact of competition. Management is responsible for the day-to-day management of the risks that we face, while our Board, as a whole and through its committees, has responsibility for the oversight of risk management. In its risk oversight role, our Board of Directors is responsible for satisfying itself that the risk management processes designed and implemented by management are adequate and functioning as designed. Our Board of Directors assesses major risks facing our Company and options for their mitigation to promote our stockholders' interests in the long-term health of our Company and our overall success and financial strength. A fundamental part of risk management is not only understanding the risks a company faces and what steps management is taking to manage those risks, but also understanding what level of risk is appropriate for us. The involvement of our full Board of Directors in the risk oversight process allows our Board of Directors to assess management's appetite for risk and also determine what constitutes an appropriate level of risk for our Company. Our Board of Directors regularly includes agenda items at its meetings relating to its risk oversight role and meets with various members of management on a range of topics, including corporate governance and regulatory obligations, operations and significant transactions, risk management, insurance, pending and threatened litigation and significant commercial disputes.

While our Board of Directors is ultimately responsible for risk oversight, various committees of our Board of Directors oversee risk management in their respective areas and regularly report on their activities to our entire Board of Directors. In particular, the Audit Committee has the primary responsibility for the oversight of financial risks facing our Company. The Audit Committee's charter provides that it will discuss our major financial risk exposures and the steps we have taken to monitor and control such exposures. Our Board of Directors has also delegated primary responsibility for the oversight of all executive compensation and our employee benefit programs to the Compensation Committee. The Compensation Committee strives to create incentives that encourage a level of risk-taking behavior consistent with our business strategy.

We believe the division of risk management responsibilities described above is an effective approach for addressing the risks facing our Company and that our Board's leadership structure provides appropriate checks and balances against undue risk taking.

#### **Code of Business Conduct and Ethics**

Our Board of Directors has adopted a code of ethical conduct that applies to our principal executive officer, principal financial officer and senior financial management. This code of ethical conduct is embodied within our Code of Business Conduct and Ethics, which applies to all persons associated with our Company, including our directors, officers, and employees (including our principal executive officer, principal financial officer, principal accounting officer and controller). To satisfy our disclosure requirements under Item 5.05 of Form 8-K, we will disclose amendments to, or waivers of, certain provisions of our Code of Business Conduct and Ethics relating to our chief executive officer, chief financial officer, chief accounting officer, controller or persons performing similar functions on our website promptly following the adoption of any such amendment or waiver. The Code of Business Conduct and Ethics provides that any waivers of, or changes to, the code that apply to the Company's executive officers or directors may be made only by the Audit Committee. In addition, the Code of Business Conduct and Ethics includes updated procedures for non-executive officer employees to seek waivers of the code.

#### **Director Independence**

Our Company is governed by our Board. Currently, each member of our Board, other than Dr. Edward Lee, Dr. Desheng Wang, and Dr. Jennifer Gu, is an independent director; and all standing committees of our Board of Directors are composed entirely of independent directors, in each case under NASDAQ's independence definition applicable to boards of directors. For a director to be considered independent, our Board of Directors must determine that the director has no relationship which, in the opinion of our Board, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. Members of the Audit Committee also must satisfy a separate SEC independence requirement, which provides that they may not accept directly or indirectly any consulting, advisory or other compensatory fee from us or any of our subsidiaries other than their directors' compensation. In addition, under SEC rules, an Audit Committee member who is an affiliate of the issuer (other than through service as a director) cannot be deemed to be independent. In determining the independence of members of the Compensation Committee, NASDAQ listing standards require our Board of Directors to consider certain factors, including, but not limited to: (1) the source of compensation of the director, including any consulting, advisory or other compensatory fee paid by us to the director, and (2) whether the director is affiliated with us, one of our subsidiaries or an affiliate of one of our subsidiaries. Under our Compensation Committee Charter, members of the Compensation Committee also must qualify as "outside directors" for purposes of Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code"), and as "non-employee directors" for purposes of Rule 16b-3 under the Exchange Act. The independent members of the Board of Directors are Michael Pope, Sheri Lofgren, Greg Butterfield, and Carine Clark.

**Item 11: EXECUTIVE COMPENSATION**

**Compensation of Officers**

The following summary compensation table sets forth information concerning compensation for services rendered in all capacities during 2020 and 2021 awarded to, earned by or paid to our executive officers.

**Summary Compensation Table**

(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
Name and Principal Position	Year	Salary (\$)*	Bonus (\$)	Stock Awards (\$)	Option Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	Change in Pension Value & Non-qualified Deferred Compensation Earnings (\$)	All Other Compensation (\$)	Totals (\$)
Desheng Wang CEO, Secretary and Director	2022	120,000	0	0	0	21,020	0	0	141,020
	2021	124,615	0	0	0	0	0	0	124,615
Irving Kau Chief Financial Officer	2022	150,000	0	0	0	10,000	0	0	160,000
	2021	15,962	0	0	0	0	0	0	21,700

**Narrative Disclosure Requirement for Summary Compensation Table**

**Compensation**

Dr. Desheng Wang entered into an employment agreement with the Company whereby the Company agreed to pay Dr. Wang a salary of \$120,000 per year, payable monthly, for his services as Chief Executive Officer, effective as of November 1, 2018. We have not provided our other named executive officers with perquisites or other personal benefits. Irving Kau was appointed as the Company's Chief Financial Officer on November 18, 2022. Mr. Kau has executed an employment agreement with the Company, dated November 3, 2021, for the provision of services as VP of Finance. Mr. Kau's employment agreement included a salary and certain equity incentive. Mr. Kau would receive up to 10,000 shares of the Company's common stock per year, vesting in 4 installments of 2,500 shares at the end of each calendar quarter, provided that certain metrics are achieved. No other officer or director has formally entered into any compensation arrangement for services provided under consulting agreements or employment agreements.

### ***Retirement, Resignation or Termination Plans***

We sponsor no plan, whether written or verbal, that would provide compensation or benefits of any type to an executive upon retirement, or any plan that would provide payment for retirement, resignation, or termination as a result of a change in control of our company or as a result of a change in the responsibilities of an executive following a change in control of our company.

### ***Directors' Compensation***

The persons who served as affiliated members of our Board of Directors, including executive officers, did not receive any compensation for services as directors in 2021 or 2022. As of the date of this report, no director has formally entered into any compensation arrangement for services provided under consulting agreements or employment agreements.

As of the date of this annual report, all directors have been issued 15,000 options per person pursuant to our 2018 Stock Option Plan and such options will vest over a period of one year. In 2021, all independent directors were paid \$20,000 cash, except for Sheri Lofgren, who received \$25,000 for serving as the chair of the audit committee. In 2022, all independent directors were paid \$30,000 cash, except for Sheri Lofgren, Gregory Butterfield, and Sean Warren. Sheri Lofgren received \$32,500 for serving as the chair of the audit committee. Gregory Butterfield and Sean Warren received \$10,000 and \$15,699, respectively, for serving independent board director. Additionally, a company affiliated with Mr. Pope received \$120,000 for advisory services in 2021, which included \$72,000 in cash and \$48,000 in stock and \$20,000 for advisory services in 2022, which included \$12,000 in cash and \$8,000 in stock.

### ***Option Exercises and Stock Vested***

On December 17, 2018, the Company adopted the 2018 Stock Option Plan (the "2018 Stock Option Plan") whereby the Company reserved for issuance 1,000,000 shares of common stock and agreed that such shares shall, when issued and paid for in accordance with the provisions of the 2018 Stock Option Plan, constitute validly issued, fully paid and non-assessable shares of common stock.

### ***Pension Benefits and Nonqualified Deferred Compensation***

The Company does not maintain any qualified retirement plans or non-qualified deferred compensation plans for its employees or directors.



**Executive Officer Outstanding Equity Awards at Fiscal Year-End**

The following table provides certain information concerning any common share purchase options, stock awards or equity incentive plan awards held by each of our named executive officers that were outstanding as of December 31, 2022.

Name	Option Awards				Stock Awards				
	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested
Edward Lee - Chairman	30,000	–	–	\$ 5.70	August 6, 2029	–	–	–	–
	15,000	–	–	\$ 3.00	December 10, 2030	–	–	–	–
	15,000	–	–	\$ 8.86	December 30, 2031	–	–	–	–
Desheng Wang - CEO, Secretary	–	15,000	–	\$ 6.41	December 30, 2032	–	–	–	–
	30,000	–	–	\$ 5.70	August 6, 2029	–	–	–	–
	15,000	–	–	\$ 3.00	December 10, 2030	–	–	–	–
Irving Kau - CFO	15,000	–	–	\$ 8.86	December 30, 2031	–	–	–	–
	–	15,000	–	\$ 6.41	December 30, 2032	–	–	–	–
	–	–	–	–	–	10,000	–	–	–
Jennifer Gu	30,000	–	–	\$ 5.70	August 6, 2029	–	–	–	–
	15,000	–	–	\$ 3.00	December 10, 2030	–	–	–	–
	15,000	–	–	\$ 8.86	December 30, 2031	–	–	–	–
Michael Pope	–	15,000	–	\$ 6.41	December 30, 2032	–	–	–	–
	6,250	–	–	\$ 8.86	December 30, 2031	–	–	–	–
	–	15,000	–	\$ 6.41	December 30, 2032	–	–	–	–
Carine Clark	30,000	–	–	\$ 5.70	August 6, 2029	–	–	–	–
	15,000	–	–	\$ 3.00	December 10, 2030	–	–	–	–
	15,000	–	–	\$ 8.86	December 30, 2031	–	–	–	–
Sheri Lofgren	–	15,000	–	\$ 6.41	December 30, 2032	–	–	–	–
	6,250	–	–	\$ 8.86	December 30, 2031	–	–	–	–
	–	15,000	–	\$ 6.41	December 30, 2032	–	–	–	–
Greg Butterfield	30,000	–	–	\$ 5.70	August 6, 2029	–	–	–	–
	15,000	–	–	\$ 3.00	December 10, 2030	–	–	–	–
	7,541	–	–	\$ 8.86	December 30, 2031	–	–	–	–
Sean Warren	–	15,000	–	\$ 6.41	December 30, 2032	–	–	–	–

**Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS**

The following table sets forth certain information regarding beneficial ownership of our common stock as of December 31, 2022: (i) by each of our directors, (ii) by each of the Named Executive Officers, (iii) by all of our executive officers and directors as a group, and (iv) by each person or entity known by us to beneficially own more than five percent (5%) of any class of our outstanding shares. As of December 31, 2022, there were 43,530,915 shares of our common stock outstanding:

<b>Title of Class</b>	<b>Name of Beneficial Owner</b>	<b>Amount and Nature of Beneficial Ownership (1)</b>	<b>Percentage of Beneficial Ownership %</b>
Common	Desheng Wang, CEO, and Director	14,395,700	33.277%
Common	Edward Lee, Chairman and Director jointly with Jennifer Gu, Director	8,185,000	18.921%
Common	Yan Chen	2,983,561	6.897%
Common	Michael Pope	1,546	*
Common	Sheri Lofgren	1,546	*
Common	Irving Kau	10,000	*

(1) Applicable percentage of ownership is based on 43,530,915 shares of common stock outstanding on December 31, 2022.

Percentage ownership is determined based on shares owned together with securities exercisable or convertible into shares of common stock within 60 days of December 31, 2022, for each stockholder. Beneficial ownership is determined in accordance with the rules of the SEC and generally includes voting or investment power with respect to securities. Shares of common stock subject to securities exercisable or convertible into shares of common stock that are currently exercisable or exercisable within 60 days of December 31, 2022, are deemed to be beneficially owned by the person holding such securities for the purpose of computing the percentage of ownership of such person but are not treated as outstanding for the purpose of computing the percentage ownership of any other person. Our common stock is our only issued and outstanding class of securities eligible to vote.

As of December 31, 2022, there were 25,585,646 shares of common stock outstanding owned by our officers and directors.

**Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE**

Consulting services provided by the President, Chief Executive Officer, Secretary, Treasurer and Chief Financial Officer for the years ended December 31, 2022 and 2021 were as follows:

	<b>For the Year Ended December 31, 2022</b>	<b>For the Year Ended December 31, 2021</b>
President	\$ 0	\$ 0
Chief Executive Officer, Secretary and Treasurer	141,020	124,615
Chief Financial Officer	37,020	21,700
	<u>\$ 178,040</u>	<u>\$ 146,315</u>

### Related party Transactions

Revenue generated from Vitashower Corp., a company owned by the Chief Executive Officer's wife, amounted to \$41,536 and \$29,084 for the year ended December 31, 2022 and 2021, respectively. Account receivable balance due from Vitashower Corp. amounted to \$34,507 and \$15,176 as of December 31, 2022 and 2021, respectively.

Service revenue generated from the installation of home security equipment by AVX for one of the Company's directors, amounted to \$8,246 and \$0 for the year ended December 31, 2022 and 2021, respectively.

Compensation for services provided by the President and Chief Executive Officer for the year ended December 31, 2022 and 2021 amounted to \$141,020 and \$124,615, respectively. Of subsequent note, Tianjin Guanglee was once owned by the Chief Executive Officer Desheng Wang, as fully disclosed in the annual report in 2017. Since then, during 2018, the entity was transferred to another individual and was not considered a related party transaction per guidelines.

### **Director Independence**

A director is not considered to be independent if he or she is also an executive officer or employee of the corporation. Our director Edward Lee is also our Chairman; our director Desheng Wang is also our Chief Executive Officer. The rest of our directors, excluding Jennifer Gu, are independent directors.

### **Item 14. PRINCIPAL ACCOUNTING FEES AND SERVICES**

During the year ended March 31, 2015, 2014, and the period from December 4, 2012 (Inception) to March 31, 2013, we engaged Cutler & Co, LLC, as our independent auditor. On October 20, 2015, we changed our independent auditor to DYH & Company. On April 16, 2017, we changed our independent auditor to BF Borgers CPA PC (the "Former Auditor").

On January 19, 2023, the Company notified the Former Auditor that the Company is dismissing it as the independent registered public accounting firm of the Company due to partner and personnel movement from the Former Auditor to the Company's New Auditor. On the same day, the Company engaged Reliant CPA PC (the "New Auditor") as its independent PCAOB registered public accounting firm for the Company's fiscal year ended December 31, 2022.

For the years ended December 31, 2022 and 2021, we incurred fees as discussed below:

	<b>Year ended December 31, 2022</b>	<b>Year ended December 31, 2021</b>
Audit fees	\$ 94,000	\$ 128,000
Audit – related fees	\$ Nil	\$ Nil
Tax fees	\$ Nil	\$ Nil
All other fees	\$ Nil	\$ Nil

Audit fees consist of fees related to professional services rendered in connection with the audit of our annual financial statements and review of our quarterly financial statements. Tax fees represent fees related to preparation of our corporation income tax returns. Our policy is to pre-approve all audit and permissible non-audit services performed by the independent accountants. These services may include audit services, audit-related services, tax services and other services.

## PART IV

### Item 15. EXHIBITS

EXHIBIT NUMBER	DESCRIPTION
3.1	<a href="#">Articles of Incorporation</a> , as filed with the SEC on December 26, 2013.
3.2	<a href="#">Amended and Restated Bylaws</a> , as filed with the SEC on October 22, 2019.
10.1	<a href="#">2018 Equity Incentive Plan</a> , as filed with the SEC on December 28, 2018.
10.2	<a href="#">Promissory Note with Chase Bank, dated March 10, 2021 for \$108,750 SBA Loan</a> , as filed with the SEC on March 23, 2021.
10.3	<a href="#">Secured Promissory Note with East West Bank, dated January 8, 2021 for \$1,500,000</a> , as filed with the SEC on March 23, 2021.
10.4	<a href="#">Loan Agreement with Golden Sunrise Investment LLC, dated March 15, 2021 for \$1,500,000</a> , as filed with the SEC on March 23, 2021.
10.5	<a href="#">Company Guarantee Agreement with Golden Sunrise Investment LLC, dated March 15, 2021</a> , as filed with the SEC on March 23, 2021.
10.6	<a href="#">Secured Promissory Note with Golden Sunrise Investment LLC, dated March 15, 2021 for \$1,500,000</a> , as filed with the SEC on March 23, 2021.
10.7	<a href="#">Employment Agreement by and between the Company and Irving Kau, dated November 3, 2021</a> .*
10.8	<a href="#">Amendment to I. Kau Employment Agreement, dated November 21, 2022</a> .*
10.9	<a href="#">At the Market Sales Agreement, dated December 9, 2022, with Sutter Securities</a> , as filed with the SEC on December 12, 2022.
10.10	<a href="#">Asset Purchase Agreement, dated December 19, 2022 with AT Tech Systems</a> .*
10.11	<a href="#">Articles of Organization of Lusher Bioscientific, LLC</a> .*
10.12	<a href="#">Bylaws of Lusher Bioscientific</a> .*
10.13	<a href="#">Articles of Organization of AT Tech Systems, LLC</a> .*
10.14	<a href="#">Operating Agreement of AT Tech Systems, LLC</a> .*
31.1	<a href="#">Certification of the Chief Executive Officer pursuant to Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a> .*
31.2	<a href="#">Certification of the Chief Financial Officer pursuant to Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a> .*
32.1	<a href="#">Certification of the Chief Executive Officer pursuant to 18 U.S.C Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a> .*
32.2	<a href="#">Certification of the Chief Financial Officer pursuant to 18 U.S.C Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a> .*
101.INS	Inline XBRL Instance Document (the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document)**
101.SCH	Inline XBRL Taxonomy Extension Schema Document**
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document**
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document**
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document**
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document**
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

\* Filed herewith.

\*\* XBRL (Extensible Business Reporting Language) information is furnished and not filed or a part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, is deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise is not subject to liability under these sections.

### Item 16. FORM 10-K SUMMARY

None.

**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) 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.

Date: March 31, 2023

**FOCUS UNIVERSAL INC.**

By: /s/ Desheng Wang  
Desheng Wang  
Chief Executive Officer, Secretary, and Director

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<u>SIGNATURES</u>	<u>TITLE</u>	<u>DATE</u>
<u>/s/ Desheng Wang</u> Desheng Wang	Chief Executive Officer, Secretary and Director	March 31, 2023

Focus Universal Inc., a Nevada corporation

/s/ Desheng Wang  
By Desheng Wang, its CEO



2311 East Locust Street  
Ontario, CA 91761  
(626) 802.5416

EMPLOYEE NAME AND ADDRESS

Dear Irving Kau,

We are very pleased to offer you a position as VP of Finance and Head of Investor Relations with Focus Universal Inc. a Nevada corporation (the “**Company**”). This offer of at-will employment is conditioned on your satisfactory completion of certain requirements, as more fully explained in this letter. Your employment is subject to the terms and conditions set forth in this letter.

You will be hired as a full-time employee, working 5 days a week, Monday through Friday, effective 11/8/2021, your start date. In your capacity as VP of Finance and Head of Investor Relations, you will perform duties and responsibilities that are reasonable and consistent with such position as may be assigned to you from time to time. You will report directly to the CEO, or another individual designated by the Board of Directors. You agree to devote your full business time, attention, and best efforts to the performance of your duties and to the furtherance of the Company’s interests.

In consideration of your services, you will be paid a salary of \$150,000 per year, payable bi-monthly in accordance with the standard payroll practices of the Company and subject to all withholdings and deductions as required by law.

In addition, up to 10,000 bonus Management shares will be granted in 2,500 blocks every quarter if any of these three (3) performances metrics are met during employment:

1. 90 Day Volume Weighted Average Stock Price: Increase 20% over previous quarter
2. Avg 90 trading volume: Increase 15% over previous quarter
3. Number of Stocktwits watchers: Increase 100% per quarter

After a 12-month period, the Company will conduct an evaluation of your performance. If the Company is satisfied with the performance, the position will be promoted to Chief Financial Officer, and you will receive a \$50K increase to your annual salary with an additional 10,000 bonus shares.

If this offer is accepted and you begin employment with the Company, you will be eligible to participate in any benefit plans and programs in effect from time to time, and other fringe benefits as are made available to other similarly situated employees of the Company, in accordance with and subject to the eligibility and other provisions of such plans and programs. You will be subject to all applicable employment and other policies of Company, as outlined in the Company’s Employment Handbook and elsewhere.

**Your employment will be at-will, meaning that you or Company may terminate the employment relationship at any time, with or without cause, with a 30-day written notice.**

This offer is contingent upon:

- a) Verification of your right to work in the United States, as demonstrated by your completion of the I-9 form upon hire and your submission of acceptable documentation (as noted on the I-9 form) verifying your identity and work authorization within three days of starting employment. For your convenience, a copy of the I-9 Form’s List of Acceptable Documents is enclosed for your review.



2311 East Locust Street  
Ontario, CA 91761  
(626) 802.5416

This offer will be withdrawn if any of the above conditions are not satisfied.

You understand and acknowledge that during the course of your employment with Company, you will have access to and learn about confidential, secret and proprietary documents, materials, data and other information, in tangible and intangible form, of and relating to Company and its businesses and existing and prospective customers, suppliers, investors and other associated third parties (“**Confidential Information**”). You further understand and acknowledge that this Confidential Information and the Company’s ability to reserve it for its exclusive knowledge and use is of great competitive importance and commercial value to the Company, and that improper use or disclosure of the Confidential Information by you will cause irreparable harm to Company. For purposes of this offer letter, Confidential Information includes, but is not limited to, all information not generally known to the public, in spoken, printed, electronic or any other form or medium, relating directly or indirectly to the Company or its businesses or any existing or prospective customer, supplier, investor or other associated third party, or of any other person or entity that has entrusted information to Company in confidence. Any Confidential Information developed by you in the course of your employment by the Company will be subject to the terms and conditions of this offer letter.

By accepting this offer you agree and covenant: (i) to treat all Confidential Information as strictly confidential; (ii) not to directly or indirectly disclose, publish, communicate or make available Confidential Information, or allow it to be disclosed, published, communicated or made available, in whole or part, to any entity or person whatsoever (including other employees of the Company) not having a need to know and authority to know and use the Confidential Information; and (iii) not to access or use any Confidential Information, and not to copy any documents, records, files, media or other resources containing any Confidential Information, or remove any such documents, records, files, media or other resources from the premises or control of the Company, except as required in the performance of the your duties to the Company or with the prior consent of an authorized officer of the Company. Nothing herein shall be construed to prevent disclosure of Confidential Information as may be required by applicable law or regulation, or pursuant to the valid order of a court of competent jurisdiction or an authorized government agency. You will provide written notice of any such order to an authorized officer of the Company immediately after receiving such order, to permit the Company to contest the order or seek confidentiality protections.

Your confidentiality obligations will start immediately upon you first having access to Confidential Information (whether before or after your start date) and shall continue during and after your employment by the Company until the Confidential Information becomes public knowledge other than as a result of your breach of this offer letter.

Because of the Company’s legitimate business interest and the good and valuable consideration offered to you, during the term of your employment and for twelve months, to run consecutively, beginning on the last day of your employment with the Company, for any reason or no reason and whether employment is terminated at your option or at the Company’s option, you agree and covenant not to engage in any Prohibited Activity. For purposes of this letter, “**Prohibited Activity**” is an activity in which you use the Confidential Information, directly or indirectly, in whole or in part, as an employee, employer, owner, operator, manager, advisor, consultant, agent, employee, partner, director, stockholder, officer, volunteer, intern, or any other similar capacity to benefit an entity. Prohibited Activity also includes an activity that may require or inevitably requires disclosure of trade secrets, proprietary information or Confidential Information. Nothing herein prohibits you from purchasing or owning less than five percent (5%) of the publicly traded securities of any corporation, provided that such ownership represents a passive investment and that you are not a controlling person of, or a member of a group that controls, such corporation. This paragraph does not, in any way, restrict or impede you from exercising protected rights to the extent that such rights cannot be waived by agreement or from complying with any applicable law or regulation or a valid order of a court of competent jurisdiction or an authorized government agency, provided that such compliance does not exceed that required by the law, regulation, or order.



2311 East Locust Street  
Ontario, CA 91761  
(626) 802.5416

Further, pursuant to the Defend Trade Secrets Act of 2016, you understand that:

An individual may not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that: (a) is made (i) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney; and (ii) solely for the purpose of reporting or investigating a suspected violation of law; or (b) is made in a complaint or other document that is filed under seal in a lawsuit or other proceeding.

Further, an individual who files a lawsuit for retaliation by an employer for reporting a suspected violation of law may disclose the employer's trade secrets to the attorney and use the trade secret information in the court proceeding if the individual: (a) files any document containing the trade secret under seal; and (b) does not disclose the trade secret, except pursuant to court order.

You acknowledge and agree that all writings, works of authorship, technology, inventions, discoveries, ideas and other work product of any nature whatsoever, created, prepared, produced, authored, edited, amended, conceived or reduced to practice by you individually or jointly with others during the period of your employment by the Company and relating in any way to the business or contemplated business, research or development of the Company (regardless of when or where the Work Product is prepared or whose equipment or other resources is used in preparing the same) and all printed, physical and electronic copies, all improvements, rights and claims related to the foregoing, and other tangible embodiments thereof (collectively, "**Work Product**"), as well as any and all rights in and to copyrights, trade secrets, trademarks (and related goodwill), patents and other intellectual property rights therein arising in any jurisdiction throughout the world and all related rights of priority under international conventions with respect thereto, including all pending and future applications and registrations therefor, and continuations, divisions, continuations-in-part, reissues, extensions and renewals thereof (collectively, "**Intellectual Property Rights**"), shall be the sole and exclusive property of Company.

You further acknowledge that, by reason of being employed by the Company at the relevant times, to

the extent permitted by law, all of the Work Product consisting of copyrightable subject matter is "work made for hire" as defined in the Copyright Act of 1976 (17 U.S.C. § 101), and such copyrights are therefore owned by the Company. To the extent that the foregoing does not apply, you hereby irrevocably assign to Company, for no additional consideration, your entire right, title and interest in and to all Work Product and Intellectual Property Rights therein, including the right to sue, counterclaim and recover for all past, present and future infringement, misappropriation or dilution thereof, and all rights corresponding thereto throughout the world.

To the extent any copyrights are assigned, you hereby irrevocably waive, to the extent permitted by applicable law, any and all claims you may now or hereafter have in any jurisdiction to all rights of paternity, integrity, disclosure and withdrawal and any other rights that may be known as "moral rights" with respect to all Work Product and all Intellectual Property Rights therein.

This offer and your acceptance of the same does not, and shall not be construed to, grant you any license or right of any nature with respect to any Work Product or Intellectual Property Rights or any Confidential Information, materials, software or other tools made available to you by the Company.

By accepting this offer you agree (a) to comply with all Company security policies and procedures as in force from time to time, including without limitation, those regarding computer equipment, telephone systems, facilities access, key cards, access codes, Company intranet, internet, social media and instant messaging systems, computer systems, e-mail systems, computer networks, document storage systems, software, data security, encryption, firewalls, passwords and any and all other Company facilities, IT resources and communication technologies ("**Facilities and Information Technology Resources**"); (b) not to access or use any Facilities and Information Technology Resources except as authorized by the Company; and (iii) not to access or use any Facilities and Information Technology Resources in any manner after the termination of the your employment by the Company. Upon (a) termination of the your employment or (b) the Company's request at any time during the your employment, you shall (i) provide or return to the Company any and all Company property, including keys, key cards, access cards, identification cards, security devices, network access devices, computers, smartphones, equipment, manuals, reports, files, work product, e-mail messages, recordings, disks, other removable information storage devices, hard drives, and all Company documents and materials belonging to the Company and stored in any fashion, including but not limited to those that constitute or contain any Confidential Information or Work Product, that are in your possession or control, whether they were provided to you by the Company or any of its business associates or created by you in connection with your employment by the Company; and (ii) delete or destroy all copies of any such documents and materials not returned to the Company that remain in the your possession or control, including those stored on any non-Company devices, networks, storage locations, and media in your possession or control.





2311 East Locust Street  
Ontario, CA 91761  
(626) 802.5416

By accepting this offer, you confirm that you are able to accept this job; the obligations set forth above and to carry out the work that it would involve without breaching any legal restrictions on your activities, such as restrictions imposed by a current or former employer. You also confirm that you will inform the Company about any such restrictions and provide the Company with as much information about them as possible, including any agreements between you and your current or former employer describing such restrictions on your activities. You further confirm that you will not remove or take any documents or proprietary data or materials of any kind, electronic or otherwise, with you

from your current or former employer to Company without written authorization from your current or former employer, nor will you use or disclose any such confidential information during the course and scope of your employment with Company. If you have any questions about the ownership of particular documents or other information, discuss such questions with your former employer before removing or copying the documents or information.

This offer letter contains all of the understandings and representations between you and the Company pertaining to the subject matter hereof and supersedes all prior and contemporaneous understandings, agreements, representations and warranties, both written and oral, with respect to such subject matter.

All of us at Company are excited at the prospect of you joining our team. If you have any questions about the above details, please call me immediately. If you wish to accept this position, please sign below and return this letter agreement to me.

I look forward to hearing from you.

Yours sincerely,

Signed /s/ Desheng Wang  
Desheng Wang, CEO

On behalf of Focus Universal Inc.

Irving Kau

Signed /s/ Irving Kau

Date: November 3, 2021



AMENDMENT TO EMPLOYMENT AGREEMENT FOR MR. IRVING KAU

Dear Mr. Irving Kau:

Focus Universal Inc. ("FCUV"), the affiliates and subsidiaries of FCUV, and any successors or assigns of any of the foregoing, entered into an Employment Agreement (the "Agreement") dated as of November 3, 2021 for the purpose of employing Mr. Irving Kau at Focus Universal Inc. Pursuant to the main section of the Agreement, you were entitled to receive stock grants for 10,000 shares of FCUV Common Stock under the Focus Universal Incentive Plan. As you are aware, you were awarded stock grants for the first two quarters of 2022 (1Q, 2Q), under these bonus Management shares, according to the set performance metrics.

However, given circumstances out of your or FCUV control, these performance metrics have become outdated, and we have amended these metrics **for remaining third and fourth quarter of 2022 (3Q, 4Q)**. Accordingly, you and Focus Universal hereby agree that the Agreement is hereby amended as follows:

The bonus Management shares section which states:

*"In addition, up to 10,000 bonus Management shares will be granted in 2,500 blocks every quarter if any of these three (3) performances metrics are met during employment:*

- 1. 90 Day Volume Weighted Average Stock Price: Increase 20% over previous quarter*
- 2. Avg 90 trading volume: Increase 15% over previous quarter*
- 3. Number of Stock Twits watchers: Increase 100% per quarter."*

Shall be amended to read the following:

*"In addition, up to 10,000 bonus Management shares will be granted in 2,500 blocks every quarter if any of these three (3) performances metrics are met during employment:*

- 1. On time filing of the quarterly or year end financials, barring any unmitigated legal or audit delays.*
- 2. Increase of sales or accounts receivable over 20% on a quarter over quarter basis, because of business efforts to build new lines of business.*
- 3. Closure of one merger or acquisition either using a standard business combination or asset purchase agreement."*

**First Amendment:** This Agreement is the First Amendment of the Contract.

**No Other Changes:** Except as otherwise expressly provided in the Agreement, all of the terms and conditions of the Contract shall remain unchanged and in full force and effect.

**Miscellaneous Terms:** Capitalized terms not otherwise defined in this Agreement will have meanings ascribed to them in the Contract.

**Governing Law:** Subject to the terms of the Contract, it is the intention of the Parties of the Agreement, and all suits and special proceedings under this Agreement, be construed in accordance with and governed by the laws of the State of California, without regard to the jurisdiction in which any action or special proceedings may be instituted.

IN WITNESS WHEREOF, the Parties have duly affixed their signatures, on this 21 day of November, 2022.



Desheng Wang, CEO



Irving Kau, CFO

ASSET PURCHASE AGREEMENT

This Asset Purchase Agreement (this "**Agreement**"), dated as of December 19<sup>th</sup>, 2022, is entered into between, Anthony Tejada, an individual residing in the State of California, d.b.a. "AT TECH SYSTEMS" ("**Seller**"), and Focus Universal Inc., a Nevada corporation ("**Buyer**"). Capitalized terms used in this Agreement have the meanings given to such terms herein, as such definitions are identified by the cross-references set forth in Exhibit A attached hereto.

RECITALS

**WHEREAS**, Seller is engaged in the business of providing efficient and cost-effective integrated network, security, and multimedia design solutions (the "**Business**"); and

**WHEREAS**, Seller wishes to sell and assign to Buyer, and Buyer wishes to purchase and assume from Seller, substantially all the assets, and certain specified liabilities, of the Business, subject to the terms and conditions set forth herein;

**NOW, THEREFORE**, in consideration of the mutual covenants and agreements hereinafter set forth and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

ARTICLE I  
Purchase and Sale

**Section 1.01 Purchase and Sale of Assets.** Subject to the terms and conditions set forth herein, at the Closing, Seller shall sell, convey, assign, transfer, and deliver to Buyer, and Buyer shall purchase from Seller, all of Seller's right, title, and interest in, to, and under all of the tangible and intangible assets, properties, and rights of every kind and nature and wherever located (other than the Excluded Assets), which relate to, or are used or held for use in connection with, the Business (collectively, the "**Purchased Assets**"), including the following:

- (a) all **cash and cash equivalents**;
- (b) all **accounts receivable** held by Seller ("**Accounts Receivable**"), which the buyer believes to amount to roughly \$80,000 or more (this must exceed \$80,000 upon purchase);
- (c) all **professional licenses**, including rights to the C-7 contractor license assigned to the company;
- (d) all **customer lists and corresponding client relationships**;
- (e) **trademarks, trade names, and brand names** associated with AT TECH SYSTEMS;
- (f) **goodwill and market related intangible assets** related with the company AT TECH SYSTEMS;

AK

DS

- (g) all inventory, finished goods, raw materials, work in progress, packaging, supplies, parts, and other inventories ("**Inventory**");
- (h) all other Assigned Contracts (the "**Assigned Contracts**") listed on the Assigned Contracts Exhibit attached hereto. The term "**Contracts**" means all contracts, leases, licenses, instruments, notes, commitments, undertakings, indentures, joint ventures, and all other agreements, commitments, and legally binding arrangements, whether written or oral;
- (i) all furniture, fixtures, equipment, machinery, tools, vehicles, office equipment, supplies, computers, telephones, and other tangible personal property (the "**Tangible Personal Property**");
- (j) all prepaid expenses, credits, advance payments, claims, security, refunds, rights of recovery, rights of set-off, rights of recoupment, deposits, charges, sums, and fees (including any such item relating to the payment of Taxes);
- (k) all of Seller's rights under warranties, indemnities, and all similar rights against third parties to the extent related to any Purchased Assets;
- (l) all insurance benefits, including rights and proceeds, arising from or relating to the Business, the Purchased Assets, or the Assumed Liabilities;
- (m) originals or, where not available, copies, of all books and records, including books of account, ledgers, and general, financial, and accounting records, machinery and equipment maintenance files, customer lists, customer purchasing histories, price lists, distribution lists, supplier lists, production data, quality control records and procedures, customer complaints and inquiry files, research and development files, records, and data (including all correspondence with any federal, state, local, or foreign government or political subdivision thereof, or any agency or instrumentality of such government or political subdivision, or any arbitrator, court, or tribunal of competent jurisdiction (collectively, "**Governmental Authority**")), sales material and records, strategic plans and marketing, and promotional surveys, material, and research ("**Books and Records**");
- (n) all means all Intellectual Property that is owned by Seller and exclusively used in connection with the Business, including the Intellectual Property registrations (the "**Intellectual Property Assets**"). For purposes of this Agreement: "**Intellectual Property**" means any and all of the following arising pursuant to the Laws of any jurisdiction throughout the world: (a) trademarks, service marks, trade names, and similar indicia of source of origin, all registrations and applications for registration thereof, and the goodwill connected with the use of and symbolized by the foregoing; (b) copyrights and all registrations and applications for registration thereof; (c) trade secrets and know-how; (d) patents and patent applications; (e) internet domain name registrations; and (f) other intellectual property and related proprietary rights; and
- (o) all goodwill and the going concern value of the Purchased Assets and the Business.

ak

**Section 1.02 Excluded Assets.** Notwithstanding the foregoing, the Purchased Assets shall not include the assets, properties, and rights specifically listed on the Excluded Assets Exhibit attached hereto (collectively, the “**Excluded Assets**”).

**Section 1.03 Assumed Liabilities.**

- (a) Subject to the terms and conditions set forth herein, Buyer shall assume and agree to pay, perform, and discharge only the following Liabilities of Seller (collectively, the “**Assumed Liabilities**”), and no other Liabilities:
- i. all trade accounts payable of Seller to third parties in connection with the Business that remain unpaid and are not delinquent as of the Closing Date; and
  - ii. all Liabilities in respect of the Assigned Contracts but only to the extent that such Liabilities thereunder are required to be performed after the Closing Date, were incurred in the ordinary course of business, and do not relate to any failure to perform, improper performance, warranty, or other breach, default, or violation by Seller on or prior to the Closing.
- (b) For purposes of this Agreement, “**Liabilities**” means liabilities, obligations, or commitments of any nature whatsoever, whether asserted or unasserted, known or unknown, absolute or contingent, accrued or unaccrued, matured or unmatured, or otherwise.
- (c) Notwithstanding any provision in this Agreement to the contrary, Buyer shall not assume and shall not be responsible to pay, perform, or discharge any Liabilities of Seller or any of its Affiliates of any kind or nature whatsoever other than the Assumed Liabilities (the “**Excluded Liabilities**”). For purposes of this Agreement: (i) “**Affiliate**” of a Person means any other Person that directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, such Person; and (ii) the term “**control**” (including the terms “controlled by” and “under common control with”) means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract, or otherwise.

**Section 1.04 Purchase Price.** The aggregate purchase price for the Purchased Assets shall be **\$1** (the “**Purchase Price**”), plus the assumption of the Assumed Liabilities, which we believe to be zero.

**Section 1.05 Allocation of Purchase Price.** The Purchase Price and the Assumed Liabilities shall be allocated among the Purchased Assets for all purposes (including Tax and financial accounting) as shown on the allocation schedule attached hereto (the “**Allocation Schedule**”). The Allocation Schedule shall be prepared in accordance with Section 1060 of the Internal Revenue Code of 1986, as amended. Buyer and Seller shall file all returns, declarations, reports, information returns and statements, and other documents relating to Taxes (including amended returns and claims for refund) (“**Tax Returns**”) in a manner consistent with the Allocation Schedule.

**Section 1.06 Withholding Tax.** Buyer shall be entitled to deduct and withhold from the Purchase Price all Taxes that Buyer may be required to deduct and withhold under any provision of Tax Law. All such withheld amounts shall be treated as delivered to Seller hereunder.

ak

ps

**Section 1.07 Third Party Consents.** To the extent that Seller's rights under any Purchased Asset may not be assigned to Buyer without the consent of another Person which has not been obtained, this Agreement shall not constitute an agreement to assign the same if an attempted assignment would constitute a breach thereof or be unlawful, and Seller, at its expense, shall use its reasonable best efforts to obtain any such required consent(s) as promptly as possible. If any such consent shall not be obtained or if any attempted assignment would be ineffective or would impair Buyer's rights under the Purchased Asset in question so that Buyer would not in effect acquire the benefit of all such rights, Seller, to the maximum extent permitted by Law and the Purchased Asset, shall act after the Closing as Buyer's agent in order to obtain for it the benefits thereunder and shall cooperate, to the maximum extent permitted by Law and the Purchased Asset, with Buyer in any other reasonable arrangement designed to provide such benefits to Buyer.

**ARTICLE II**  
**Closing**

**Section 2.01 Closing.** Subject to the terms and conditions of this Agreement, the consummation of the transactions contemplated by this Agreement (the "**Closing**") shall take place remotely by exchange of documents and signatures (or their electronic counterparts), after all of the conditions to Closing set forth in this Agreement are either satisfied or waived (other than conditions which, by their nature, are to be satisfied on the Closing Date), or at such other time or place or in such other manner as Seller and Buyer may mutually agree upon in writing. The date on which the Closing is to occur is herein referred to as the "**Closing Date**."

**Section 2.02 Closing Deliverables.**

- (a) At the Closing, Seller shall deliver to Buyer the following:
- i. a bill of sale in form and substance satisfactory to Buyer (the "**Bill of Sale**") and duly executed by Seller, transferring the Tangible Personal Property included in the Purchased Assets to Buyer;
  - ii. an assignment and assumption agreement in form and substance satisfactory to Buyer (the "**Assignment and Assumption Agreement**") and duly executed by Seller, effecting the assignment to and assumption by Buyer of the Purchased Assets and the Assumed Liabilities;
  - iii. the Employment Agreement in the form of **Exhibit [A]** attached hereto (the "**Employment Agreement**") and duly executed by Seller;
  - iv. the Non-Compete and Non-Solicitation Agreement in the form of **Exhibit [B]** attached hereto (the "**Non-Compete Agreement**") and duly executed by Seller;
  - v. tax clearance certificates from the taxing authorities in the jurisdictions that impose Taxes on Seller or where Seller has a duty to file Tax Returns in connection with the transactions contemplated by this Agreement and evidence of the payment in full or other satisfaction of any Taxes owed by Seller in those jurisdictions; and

- vi. such other customary instruments of transfer or assumption, filings, or documents, in form and substance reasonably satisfactory to Buyer, as may be required to give effect to the transactions contemplated by this Agreement.
- vii. upon closing of the asset purchase agreement, a new entity AT TECH SYSTEMS, LLC will be formed to receive the assets. The entity will not assume any liability of the previous entity. At which point, the previous sole proprietor entity operating as a DBA will no longer exist and the company shall assume no responsibility or liability for the previous company or work associated.

(b) At the Closing, Buyer shall deliver to Seller the following:

- i. the Purchase Price;
- ii. the Assignment and Assumption Agreement duly executed by Buyer;
- iii. the Employment Agreement duly executed by Buyer;
- iv. the Non-Compete Agreement duly executed by Buyer; and
- v. a certificate of the Secretary (or equivalent officer) of Buyer certifying as to (A) the resolutions of the board of directors of Buyer, which authorize the execution, delivery, and performance of this Agreement and the Transaction Documents and the consummation of the transactions contemplated hereby and thereby, and (B) the names and signatures of the officers of Buyer authorized to sign this Agreement and the other Transaction Documents.

### ARTICLE III Representations and warranties of Seller

Seller represents and warrants to Buyer that the statements contained in this Article III are true and correct as of the date hereof.

**Section 3.01 Organization and Authority of Seller.** Seller has full power and authority to enter into this Agreement and the other Transaction Documents to which Seller is a party, to carry out its obligations hereunder and thereunder, and to consummate the transactions contemplated hereby and thereby. The execution and delivery by Seller of this Agreement and any other Transaction Document to which Seller is a party, the performance by Seller of its obligations hereunder and thereunder, and the consummation by Seller of the transactions contemplated hereby and thereby have been duly authorized by all requisite action on the part of Seller. This Agreement and the Transaction Documents constitute legal, valid, and binding obligations of Seller enforceable against Seller in accordance with their respective terms.

**Section 3.02 No Conflicts or Consents.** The execution, delivery, and performance by Seller of this Agreement and the other Transaction Documents to which it is a party, and the consummation of the transactions contemplated hereby and thereby, do not and will not: (a) violate or conflict with any





provision of any statute, law, ordinance, regulation, rule, code, constitution, treaty, common law, other requirement, or rule of law of any Governmental Authority (collectively, "Law") or any order, writ, judgment, injunction, decree, stipulation, determination, penalty, or award entered by or with any Governmental Authority ("Governmental Order") applicable to Seller, the Business, or the Purchased Assets; (b) require the consent, notice, declaration, or filing with or other action by any individual, corporation, partnership, joint venture, limited liability company, Governmental Authority, unincorporated organization, trust, association, or other entity ("Person") or require any permit, license, or Governmental Order; (c) violate or conflict with, result in the acceleration of, or create in any party the right to accelerate, terminate, modify, or cancel any Contract to which Seller is a party or by which Seller or the Business is bound or to which any of the Purchased Assets are subject (including any Assigned Contract); or (d) result in the creation or imposition of any charge, claim, pledge, equitable interest, lien, security interest, restriction of any kind, or other encumbrance ("Encumbrance") on the Purchased Assets.

**Section 3.03 Financial Statements.** Complete copies of the financial statements consisting of the balance sheet of the Business as at December 31, 2021, 2020 and 2019, and the related statements of income and retained earnings, shareholders' equity, and cash flow for the years then ended (the "Financial Statements") have been delivered to Buyer. The Financial Statements have been prepared in accordance with generally accepted accounting principles in effect in the United States from time to time, applied on a consistent basis throughout the period involved. The Financial Statements fairly present in all material respects the financial condition of the Business as of the respective dates they were prepared and the results of the operations of the Business for the periods indicated. The balance sheet of the Business as December 31, 2021 is referred to herein as the "Balance Sheet" and the date thereof as the "Balance Sheet Date".

**Section 3.04 Undisclosed Liabilities.** Seller has no Liabilities with respect to the Business, except (a) those which are adequately reflected or reserved against in the Balance Sheet as of the Balance Sheet Date, and (b) those which have been incurred in the ordinary course of business consistent with past practice since the Balance Sheet Date and which are not, individually or in the aggregate, material in amount.

**Section 3.05 Absence of Certain Changes, Events, and Conditions.** Since the Balance Sheet Date, and other than in the ordinary course of business consistent with past practice, there has not been any change, event, condition, or development that is, or could reasonably be expected to be, individually or in the aggregate, materially adverse to: (a) the business, results of operations, condition (financial or otherwise), or assets of the Business; or (b) the value of the Purchased Assets.

**Section 3.06 Assigned Contracts.** Each Assigned Contract is valid and binding on Seller in accordance with its terms and is in full force and effect. Neither Seller nor, to Seller's knowledge, any other party thereto is in breach of or default under (or is alleged to be in breach of or default under) in any material respect, or has provided or received any notice of any intention to terminate, any Assigned Contract. No event or circumstance has occurred that would constitute an event of default under any Assigned Contract or result in a termination thereof. Complete and correct copies of each Assigned Contract (including all modifications, amendments, and supplements thereto and waivers thereunder) have been made available to Buyer. There are no material disputes pending or threatened under any Assigned Contract.

A

**Section 3.07 Title to Purchased Assets.** Seller has good and valid title to all of the Purchased Assets, free and clear of Encumbrances.

**Section 3.08 Condition and Sufficiency of Assets.** Each item of Tangible Personal Property is structurally sound, is in good operating condition and repair, and is adequate for the uses to which it is being put, and no item of Tangible Personal Property is in need of maintenance or repairs except for ordinary, routine maintenance and repairs that are not material in nature or cost. The Purchased Assets are sufficient for the continued conduct of the Business after the Closing in substantially the same manner as conducted prior to the Closing and constitute all of the rights, property, and assets necessary to conduct the Business as currently conducted. None of the Excluded Assets are material to the Business.

**Section 3.09 Inventory.** All Inventory, whether or not reflected in the Balance Sheet, consists of a quality and quantity usable and salable in the ordinary course of business consistent with past practice, except for obsolete, damaged, defective, or slow-moving items that have been written off or written down to fair market value or for which adequate reserves have been established.

**Section 3.10 Accounts Receivable.** The Accounts Receivable: (a) have arisen from bona fide transactions entered into by Seller involving the sale of goods or the rendering of services in the ordinary course of business consistent with past practice; and (b) constitute only valid, undisputed claims of Seller not subject to claims of set-off or other defenses or counterclaims other than normal cash discounts accrued in the ordinary course of business consistent with past practice; and (c) are collectible in full within ninety (90) days after billing.

**Section 3.11 Intellectual Property.**

- (a) all Intellectual Property registrations and (ii) all Intellectual Property agreements that are material to the conduct of the Business (excluding shrink-wrap, click-wrap, or other similar agreements for commercially available off-the-shelf software). Except as would not have a Material Adverse Effect, Seller owns or has the right to use all Intellectual Property Assets and the Intellectual Property licensed to Seller under the Intellectual Property agreements.
- (b) Except as would not have a material adverse effect, to Seller's Knowledge: (i) the conduct of the Business as currently conducted does not infringe, misappropriate, dilute or otherwise violate the Intellectual Property of any person; and (ii) no person is infringing, misappropriating or otherwise violating any Intellectual Property Assets. Notwithstanding anything to the contrary in this Agreement, this Section 3.12(b) constitutes the sole representation and warranty of the Seller under this Agreement with respect to any actual or alleged infringement, misappropriation or other violation by Seller of any Intellectual Property of any other person.

**Section 3.12 Legal Proceedings; Governmental Orders.** There are no claims, actions, causes of action, demands, lawsuits, arbitrations, inquiries, audits, notices of violation, proceedings, litigation, citations, summons, subpoenas, or investigations of any nature, whether at law or in equity (collectively, "Actions") pending or, to Seller's knowledge, threatened against or by Seller: (i) relating to or affecting the Business, the Purchased Assets, or the Assumed Liabilities; or (ii) that challenge or

10

seek to prevent, enjoin, or otherwise delay the transactions contemplated by this Agreement. No event has occurred or circumstances exist that may give rise to, or serve as a basis for, any such Action. Seller is in compliance with all Governmental Orders against, relating to, or affecting the Business or the Purchased Assets.

**Section 3.13 Compliance with Laws.** Seller is in compliance with all Laws applicable to the conduct of the Business as currently conducted or the ownership and use of the Purchased Assets.

**Section 3.14 Taxes.** All Taxes due and owing by Seller have been, or will be, timely paid. No extensions or waivers of statutes of limitations have been given or requested with respect to any Taxes of Seller. All Tax Returns with respect to the Business required to be filed by Seller for any tax periods prior to Closing have been, or will be, timely filed. Such Tax Returns are, or will be, true, complete, and correct in all respects. The term "Taxes" means all federal, state, local, foreign, and other income, gross receipts, sales, use, production, ad valorem, transfer, documentary, franchise, registration, profits, license, withholding, payroll, employment, unemployment, excise, severance, stamp, occupation, premium, property (real or personal), customs, duties, or other taxes, fees, assessments, or charges of any kind whatsoever, together with any interest, additions, or penalties with respect thereto.

**Section 3.15 Own Account.** This Agreement is made with the Seller in reliance upon the Seller's representation to the Buyer, which by the Seller's execution of this Agreement, the Seller hereby confirms, that the cash to be received by the Seller as payment for the Purchase Price, will be acquired for investment for the Seller's own account, not as a nominee or agent, and not with a view to the resale or distribution of any part thereof, and that the Seller has no present intention of selling, granting any participation in, or otherwise distributing the same. By executing this Agreement, the Seller further represents that the Seller does not presently have any contract, undertaking, agreement or arrangement with any person to sell, transfer or grant participations to such person or to any third person, with respect to any of the cash. The Seller has not been formed for the specific purpose of acquiring the cash.

**Section 3.16 Disclosure of Information.** The Seller has had an opportunity to discuss the Buyer's business, management, financial affairs and the terms and conditions of the cash with the Buyer's management and has had an opportunity to review the Buyer's facilities.

**Section 3.17 Full Disclosure.** No representation or warranty by Seller in this Agreement and no statement contained in the Disclosure Schedules to this Agreement or any certificate or other document furnished or to be furnished to Buyer pursuant to this Agreement contains any untrue statement of a material fact, or omits to state a material fact necessary to make the statements contained therein, in light of the circumstances in which they are made, not misleading.

**ARTICLE VI  
Representations and warranties of Buyer**

Buyer represents and warrants to Seller that the statements contained in this Article IV are true and correct as of the date hereof.

*ds*

**Section 4.01 Organization and Authority of Buyer.** Buyer is a corporation duly organized, validly existing, and in good standing under the Laws of the State of Nevada. Buyer has full corporate power and authority to enter into this Agreement and the other Transaction Documents to which Buyer is a party, to carry out its obligations hereunder and thereunder, and to consummate the transactions contemplated hereby and thereby. The execution and delivery by Buyer of this Agreement and any other Transaction Document to which Buyer is a party, the performance by Buyer of its obligations hereunder and thereunder, and the consummation by Buyer of the transactions contemplated hereby and thereby have been duly authorized by all requisite corporate action on the part of Buyer. This Agreement and the Transaction Documents constitute legal, valid, and binding obligations of Buyer enforceable against Buyer in accordance with their respective terms.

**Section 4.02 No Conflicts; Consents.** The execution, delivery, and performance by Buyer of this Agreement and the other Transaction Documents to which it is a party, and the consummation of the transactions contemplated hereby and thereby, do not and will not: (a) violate or conflict with any provision of the certificate of incorporation, by-laws, or other organizational documents of Buyer; (b) violate or conflict with any provision of any Law or Governmental Order applicable to Buyer; or (c) require the consent, notice, declaration, or filing with or other action by any Person or require any permit, license, or Governmental Order.

**Section 4.03 Brokers.** No broker, finder, or investment banker is entitled to any brokerage, finder's, or other fee or commission in connection with the transactions contemplated by this Agreement or any other Transaction Document based upon arrangements made by or on behalf of Buyer.

**Section 4.04 Legal Proceedings.** There are no Actions pending or, to Buyer's knowledge, threatened against or by Buyer that challenge or seek to prevent, enjoin, or otherwise delay the transactions contemplated by this Agreement. No event has occurred or circumstances exist that may give rise to, or serve as a basis for, any such Action.

## ARTICLE V Covenants

**Section 5.01 Confidentiality.** From and after the Closing, Seller shall, and shall cause its Affiliates to, hold, and shall use its reasonable best efforts to cause its or their respective directors, officers, employees, consultants, counsel, accountants, and other agents ("**Representatives**") to hold, in confidence any and all information, whether written or oral, concerning the Business, except to the extent that Seller can show that such information: (a) is generally available to and known by the public through no fault of Seller, any of its Affiliates, or their respective Representatives; or (b) is lawfully acquired by Seller, any of its Affiliates, or their respective Representatives from and after the Closing from sources which are not prohibited from disclosing such information by a legal, contractual, or fiduciary obligation. If Seller or any of its Affiliates or their respective Representatives are compelled to disclose any information by Governmental Order or Law, Seller shall promptly notify Buyer in writing and shall disclose only that portion of such information which is legally required to be disclosed, *provided that* Seller shall use reasonable best efforts to obtain as promptly as possible an appropriate protective order or other reasonable assurance that confidential treatment will be accorded such information.

**Section 5.02 Public Announcements.** Unless otherwise required by applicable Law, no party to this Agreement shall make any public announcements in respect of this Agreement or the transactions

contemplated hereby without the prior written consent of the other party (which consent shall not be unreasonably withheld or delayed), and the parties shall cooperate as to the timing and contents of any such announcement.

**Section 5.03 Bulk Sales Laws.** The parties hereby waive compliance with the provisions of any bulk sales, bulk transfer, or similar Laws of any jurisdiction that may otherwise be applicable with respect to the sale of any or all of the Purchased Assets to Buyer. Any Liabilities arising out of the failure of Seller to comply with the requirements and provisions of any bulk sales, bulk transfer, or similar Laws of any jurisdiction which would not otherwise constitute Assumed Liabilities shall be treated as Excluded Liabilities.

**Section 5.04 Receivables.** From and after the Closing, if Seller or any of its Affiliates receives or collects any funds relating to any Accounts Receivable or any other Purchased Asset, Seller or its Affiliate shall remit such funds to Buyer within five (5) business days after its receipt thereof. From and after the Closing, if Buyer or its Affiliate receives or collects any funds relating to any Excluded Asset, Buyer or its Affiliate shall remit any such funds to Seller within five (5) business days after its receipt thereof.

**Section 5.05 Transfer Taxes.** All sales, use, registration, and other such Taxes and fees (including any penalties and interest) incurred in connection with this Agreement and the other Transaction Documents, if any, shall be borne and paid by Seller when due. Seller shall, at its own expense, timely file any Tax Return or other document with respect to such Taxes or fees (and Buyer shall cooperate with respect thereto as necessary).

**Section 5.06 Further Assurances.** Following the Closing, each of the parties hereto shall, and shall cause their respective Affiliates to, execute and deliver such additional documents, instruments, conveyances, and assurances and take such further actions as may be reasonably required to carry out the provisions hereof and give effect to the transactions contemplated by this Agreement and the other Transaction Documents.

## ARTICLE VI Indemnification

**Section 6.01 Survival.** All representations, warranties, covenants, and agreements contained herein and all related rights to indemnification shall survive the Closing.

**Section 6.02 Indemnification by Seller.** Subject to the other terms and conditions of this Article VI, Seller shall indemnify and defend each of Buyer and its Affiliates and their respective Representatives (collectively, the "Buyer Indemnitees") against, and shall hold each of them harmless from and against, any and all losses, damages, liabilities, deficiencies, Actions, judgments, interest, awards, penalties, fines, costs, or expenses of whatever kind, including reasonable attorneys' fees (collectively, "Losses"), incurred or sustained by, or imposed upon, the Buyer Indemnitees based upon, arising out of, or with respect to:

- (a) any inaccuracy in or breach of any of the representations or warranties of Seller contained in this Agreement, any other Transaction Document, or any schedule, certificate, or exhibit related thereto, as of the date such representation or warranty was made or as if such representation or warranty was made on and as of the Closing Date (except for representations

ds

bs

and warranties that expressly relate to a specified date, the inaccuracy in or breach of which will be determined with reference to such specified date);

- (b) any breach or non-fulfillment of any covenant, agreement, or obligation to be performed by Seller pursuant to this Agreement, any other Transaction Document, or any schedule, certificate, or exhibit related thereto;
- (c) any Excluded Asset or any Excluded Liability; or
- (d) any Third Party Claim based upon, resulting from, or arising out of the business, operations, properties, assets, or obligations of Seller or any of its Affiliates (other than the Purchased Assets or Assumed Liabilities) conducted, existing, or arising on or prior to the Closing Date. For purposes of this Agreement, "Third Party Claim" means notice of the assertion or commencement of any Action made or brought by any Person who is not a party to this Agreement or an Affiliate of a party to this Agreement or a Representative of the foregoing.

**Section 6.02 Indemnification by Buyer.** Subject to the other terms and conditions of this Article VI, Buyer shall indemnify and defend each of Seller and its Affiliates and their respective Representatives (collectively, the "Seller Indemnitees") against, and shall hold each of them harmless from and against any and all Losses incurred or sustained by, or imposed upon, the Seller Indemnitees based upon, arising out of, or with respect to:

- (a) any inaccuracy in or breach of any of the representations or warranties of Buyer contained in this Agreement, any other Transaction Document, or any schedule, certificate, or exhibit related thereto, as of the date such representation or warranty was made or as if such representation or warranty was made on and as of the Closing Date (except for representations and warranties that expressly relate to a specified date, the inaccuracy in or breach of which will be determined with reference to such specified date);
- (b) any breach or non-fulfillment of any covenant, agreement, or obligation to be performed by Buyer pursuant to this Agreement; or
- (c) any Assumed Liability.

**Section 6.03 Indemnification Procedures.** Whenever any claim shall arise for indemnification hereunder, the party entitled to indemnification (the "Indemnified Party") shall promptly provide written notice of such claim to the other party (the "Indemnifying Party"). In connection with any claim giving rise to indemnity hereunder resulting from or arising out of any Action by a Person who is not a party to this Agreement, the Indemnifying Party, at its sole cost and expense and upon written notice to the Indemnified Party, may assume the defense of any such Action with counsel reasonably satisfactory to the Indemnified Party. The Indemnified Party shall be entitled to participate in the defense of any such Action, with its counsel and at its own cost and expense. If the Indemnifying Party does not assume the defense of any such Action, the Indemnified Party may, but shall not be obligated to, defend against such Action in such manner as it may deem appropriate, including settling such Action, after giving notice of it to the Indemnifying Party, on such terms as the Indemnified Party may deem appropriate and no action taken by the Indemnified Party in accordance with such defense and settlement shall relieve the Indemnifying Party of its indemnification obligations herein provided with respect to any damages resulting therefrom. The Indemnifying Party shall not settle any



Action without the Indemnified Party's prior written consent (which consent shall not be unreasonably withheld or delayed).

**Section 6.05 Cumulative Remedies.** The rights and remedies provided in this Article VI are cumulative and are in addition to and not in substitution for any other rights and remedies available at law or in equity or otherwise.

**ARTICLE VII  
Miscellaneous**

**Section 7.01 Expenses.** All costs and expenses incurred in connection with this Agreement and the transactions contemplated hereby shall be paid by the party incurring such costs and expenses.

**Section 7.02 Notices.** All notices, claims, demands, and other communications hereunder shall be in writing and shall be deemed to have been given: (a) when delivered by hand (with written confirmation of receipt); (b) when received by the addressee if sent by a nationally recognized overnight courier (receipt requested); (c) on the date sent by email of a PDF document (with confirmation of transmission) if sent during normal business hours of the recipient, and on the next business day if sent after normal business hours of the recipient, or (d) on the third day after the date mailed, by certified or registered mail, return receipt requested, postage prepaid. Such communications must be sent to the respective parties at the following addresses (or at such other address for a party as shall be specified in a notice given in accordance with this 0):

**If to Seller:**                   Address:  
  Email:  
  Attention: Anthony Tejada

with a copy to:               Address:  
  Email:  
  Attention:

**If to Buyer:**                   2311 E. Locust Court, Ontario, CA  
  Email: desheng@focusuniversal.com  
  Attention: Desheng Wang

with a copy to:               18818 Teller Ave., Suite 115, Irvine, CA 92612  
  Email: gbradshaw@wb-law.com  
  Attention: Gilbert Bradshaw

**Section 7.03 Interpretation; Headings.** This Agreement shall be construed without regard to any presumption or rule requiring construction or interpretation against the party drafting an instrument or causing any instrument to be drafted. The headings in this Agreement are for reference only and shall not affect the interpretation of this Agreement.

**Section 7.04 Severability.** If any term or provision of this Agreement is invalid, illegal, or unenforceable in any jurisdiction, such invalidity, illegality, or unenforceability shall not affect any other term or provision of this Agreement.



**Section 7.05 Entire Agreement.** This Agreement and the other Transaction Documents constitute the sole and entire agreement of the parties to this Agreement with respect to the subject matter contained herein and therein, and supersede all prior and contemporaneous understandings and agreements, both written and oral, with respect to such subject matter. In the event of any inconsistency between the statements in the body of this Agreement and those in the other Transaction Documents, and the Exhibits, the statements in the body of this Agreement will control.

**Section 7.06 Successors and Assigns.** This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and permitted assigns. Neither party may assign its rights or obligations hereunder without the prior written consent of the other party, which consent shall not be unreasonably withheld or delayed. Any purported assignment in violation of this Section shall be null and void. No assignment shall relieve the assigning party of any of its obligations hereunder.

**Section 7.07 Amendment and Modification; Waiver.** This Agreement may only be amended, modified, or supplemented by an agreement in writing signed by each party hereto. No waiver by any party of any of the provisions hereof shall be effective unless explicitly set forth in writing and signed by the party so waiving. No failure to exercise, or delay in exercising, any right or remedy arising from this Agreement shall operate or be construed as a waiver thereof; nor shall any single or partial exercise of any right or remedy hereunder preclude any other or further exercise thereof or the exercise of any other right or remedy.

**Section 7.08 Governing Law; Submission to Jurisdiction; Waiver of Jury Trial.**

- (a) This Agreement shall be governed by and construed in accordance with the internal laws of the State of California without giving effect to any choice or conflict of law provision or rule (whether of the State of California or any other jurisdiction). Any legal suit, action, proceeding, or dispute arising out of or related to this Agreement, the other Transaction Documents, or the transactions contemplated hereby or thereby may be instituted in the federal courts of the United States of America or the courts of the State of California in each case located in the city of Ontario and county of San Bernardino, and each party irrevocably submits to the exclusive jurisdiction of such courts in any such suit, action, proceeding, or dispute.
- (b) EACH PARTY ACKNOWLEDGES AND AGREES THAT ANY CONTROVERSY WHICH MAY ARISE UNDER THIS AGREEMENT OR THE OTHER TRANSACTION DOCUMENTS IS LIKELY TO INVOLVE COMPLICATED AND DIFFICULT ISSUES AND, THEREFORE, EACH PARTY IRREVOCABLY AND UNCONDITIONALLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL ACTION, PROCEEDING, CAUSE OF ACTION, OR COUNTERCLAIM ARISING OUT OF OR RELATING TO THIS AGREEMENT, INCLUDING ANY EXHIBITS AND SCHEDULES ATTACHED TO THIS AGREEMENT, THE OTHER TRANSACTION DOCUMENTS, OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY. EACH PARTY CERTIFIES AND ACKNOWLEDGES THAT: (I) NO REPRESENTATIVE OF THE OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT THE OTHER PARTY WOULD NOT SEEK TO ENFORCE THE FOREGOING WAIVER IN THE EVENT OF A LEGAL ACTION; (II) EACH

ds

PD



PARTY HAS CONSIDERED THE IMPLICATIONS OF THIS WAIVER; (III) EACH PARTY MAKES THIS WAIVER KNOWINGLY AND VOLUNTARILY; AND (IV) EACH PARTY HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

**Section 7.09 Counterparts.** This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall be deemed to be one and the same agreement. A signed copy of this Agreement delivered by email or other means of electronic transmission shall be deemed to have the same legal effect as delivery of an original signed copy of this Agreement.



14

B

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the date first written above by their respective officers thereunto duly authorized.

**ANTHONY TEJEDA, d.b.a AT TECH  
Systems**

By  \_\_\_\_\_

**FOCUS UNIVERSAL INC.**

By  \_\_\_\_\_  
Name: Desheng Wang  
Title: Chief Executive Officer



15

15



**California Secretary of State  
Electronic Filing**



---

**General Stock Corporation - Articles of Incorporation**

Entity Name: Lusher Bioscientific  
Entity (File) Number: C4828682  
File Date: 01/05/2022  
Entity Type: General Stock Corporation  
Jurisdiction: California

---

**Detailed Filing Information**

1. Corporate Name: Lusher Bioscientific
2. Business Addresses:
  - a. Initial Street Address of Corporation: 2311 E Locust Ct.  
Ontario, California, 91761  
United States of America
  - b. Initial Mailing Address of Corporation: 2311 E Locust Ct.  
Ontario, California, 91761  
United States of America
3. Agent for Service of Process:  
Individual Agent: Desheng Wang  
2311 E Locust Ct.  
Ontario, California, 91761  
United States of America
4. Shares: 100000000
5. Purpose Statement: The purpose of the corporation is to engage in any lawful act or activity for which a corporation may be organized under the General Corporation Law of California other than the banking business, the trust company business or the practice of a profession permitted to be incorporated by the California Corporations Code.

---

The incorporator affirms the information contained herein is true and correct.

Incorporator: Desheng Wang

Use [bizfile.sos.ca.gov](http://bizfile.sos.ca.gov) for online filings, searches, business records, and resources.

**BYLAWS  
OF  
LUSHER BIOSCIENTIFIC**

**ARTICLE I  
OFFICES**

**Section 1.01 PRINCIPAL EXECUTIVE OFFICE AND PRINCIPAL BUSINESS OFFICE.** The principal executive office of the Corporation shall be located at such place within or without the State of California as shall be fixed from time to time by the board of directors, and if no place is fixed by the board of directors, such place as shall be fixed by the chair of the board.

**Section 1.02 OTHER OFFICES.** The board of directors may establish branch offices of the Corporation both in and outside the State of California.

**ARTICLE II  
SHAREHOLDERS**

**Section 2.01 PLACE OF MEETING.** Meetings of the shareholders shall be held at any place within or without the State of California designated by the board of directors. Absent such designation, meetings shall be held at the principal executive office.

**Section 2.02 ANNUAL MEETING.** An annual meeting of shareholders shall be held on such date and at such time as may be designated from time to time by the board of directors for the purpose of electing directors and transacting any other business that is within the power of the shareholders and allowed by law.

**Section 2.03 SPECIAL SHAREHOLDERS' MEETINGS.** Special meetings of the shareholders may be called by the board of directors, the chair of the board, the president, or by shareholders entitled to cast not less than 10% of the votes at the meeting. Any person entitled to call a special meeting of shareholders (other than the board of directors) shall make a written request to the chair of the board, president, or secretary, specifying the general purpose of such meeting and the date, time, and place of the meeting, which date shall be not less than 35 days and not more than 60 days after the receipt by such officer of the request. Within 20 days after receipt of the request, the officer receiving such request shall cause notice to be given to the shareholders entitled to vote at such meeting, stating that a meeting will be held on the date and at the time and place requested by the person(s) requesting the meeting and stating the general purpose of the meeting. If such notice is not given within 20 days after receipt of the request, the person(s) requesting the meeting may give such notice. No business shall be transacted at a special meeting unless its general nature shall have been specified in the notice of such meeting.

**Section 2.04 NOTICE OF SHAREHOLDERS' MEETING.** Written notice stating the place, day, and hour of the meeting, shall be given not less than 10 days (or, if sent by third class mail, 30 days) and not more than 60 days before the meeting. In the case of an annual meeting, the notice shall state the matters the board of directors intends, at the time the notice is given, to present to the shareholders for action; provided, however, that unless the notice of the meeting, or the waiver of notice of such meeting, sets forth the general nature of any proposal to (a) approve or ratify a transaction in which a director has a material financial interest under Section 310 of the California Corporations Code, (b) amend the articles of incorporation of this Corporation (the "**Articles of Incorporation**") under Section 902 of the California Corporations Code, (c) approve a conversion or reorganization or elect to wind up and dissolve under Sections 1152, 1201, or 1900 of the California Corporations Code, or (d) effect a plan of distribution upon liquidation inconsistent with the liquidation rights of the preferred shares under Section 2007 of the California Corporations Code, no such proposal may be approved at an annual meeting other than by unanimous approval by those entitled to vote. In the case of a special meeting, the notice shall state the general nature of the business to be transacted. If directors are to be elected at a meeting, the notice shall include the names of the intended nominees at the time the notice is given.

Proof of notice by mail or electronic transmission may be made by affidavit of the secretary or assistant secretary or the Corporation's transfer agent, and, if made, shall be filed as part of the minutes of the meeting.

Notice shall be given by personal delivery, by electronic transmission consented to by the shareholder, or by mail, by or at the direction of the secretary or the officer or person calling the meeting, to each shareholder entitled to vote at the meeting. If a shareholder has not provided an address, notice may be given as provided by Section 601 of the California Corporations Code. Notice may also be sent by electronic communication or other means of remote communication if the board of directors determines it is necessary or appropriate because of an emergency, as defined in Section 207 of the California Corporations Code (“**Emergency**”).

Notice by mail shall be deemed to have been given when deposited in the United States mail addressed to the shareholder at the shareholder's address as it appears on the share transfer records of the Corporation, with postage thereon prepaid. Notice by electronic transmission shall be deemed to have been given when:

- (a) Transmitted to a facsimile number provided by the shareholder for the purpose of receiving notice.
- (b) Transmitted to an electronic mail address provided by the shareholder for the purpose of receiving notice.
- (c) Posted on an electronic network, with a separate notice to the shareholder of the posting.
- (d) Delivered to by any other form of electronic communication consented to by the shareholder.

Notice shall not be deemed given by electronic transmission to a shareholder after either (i) the Corporation is unable to deliver two consecutive notices to such shareholder by such means or (ii) the inability to deliver such notices to such shareholder becomes known to the secretary, any assistant secretary, the transfer agent, or any person responsible for giving such notices. This paragraph shall not apply if notices are provided by electronic communication or other means of remote communication as permitted because of an Emergency.

A shareholder may waive notice of a meeting by providing the secretary, in writing, either before or after the time of the meeting, waiver of notice, consent to holding the meeting, or approval of the minutes of the meeting. The attendance of a shareholder at a meeting constitutes waiver of notice, unless the shareholder objects, at the beginning of the meeting, to the transaction of any business at the meeting because the meeting was not lawfully called or objects, at the meeting, to the consideration of any business that was required to be, but was not, included in the notice of the meeting.

**Section 2.05 FIXING THE RECORD DATE.** For the purpose of determining the shareholders entitled to notice of and to vote at any meeting of the shareholders, to give written consent to any action taken without a meeting, to receive payment of any dividend or other distribution or allotment of rights, or to exercise any other rights, the board of directors may fix a date as the record date for any such determination.

A record date fixed under this Section may not be more than 60 days or less than 10 days before the meeting or more than 60 days before any other action. If any meeting of the shareholders is adjourned for more than 45 days from the date set for the original meeting, the board shall fix a new record date for determining the shareholders entitled to notice of and to vote at such adjourned meeting.

If no record date has been fixed, then (a) the record date for determining shareholders entitled to notice of and to vote at a shareholders' meeting shall be the business day before the day on which notice is given, or, if notice is properly waived, the business day before the day on which the meeting is held, (b) the record date for determining shareholders entitled to give written consent to action taken without a meeting, where no prior board action was taken, shall be the day on which the first written consent is given, and (c) the record date for determining shareholders for any other purpose shall be the later of (i) the day on which the board of directors adopts the resolution relating thereto or (ii) the 60th day prior to the date of the action.

**Section 2.06 QUORUM OF AND ACTION BY SHAREHOLDERS.** The presence in person or by proxy of the holders of a majority of the shares entitled to vote constitutes a quorum for a meeting of the shareholders. Except as otherwise provided by the California Corporations Code or the Articles of Incorporation:

- (a) The affirmative vote of a majority of the shares represented at a meeting at which a quorum is present shall be the act of the shareholders.
- (b) The shareholders present at a duly called or held meeting at which a quorum is present may continue to transact business until adjournment notwithstanding the withdrawal of any number of shareholders that leaves less than a quorum; provided that any action taken, other than adjournment, shall be approved by at least a majority of the shares required to constitute a quorum.

If a quorum is not present, the meeting may be adjourned by the vote of a majority of the shares present in person or by proxy.

**Section 2.07 ADJOURNED MEETINGS AND NOTICE THEREOF.** Any shareholders' meeting may be adjourned from time to time by a vote of the majority of the shares present, in person or proxy. If the meeting is adjourned for more than 45 days, or if the board of directors fixes a new record date for the adjourned meeting, notice of the adjourned meeting shall be given to each shareholder of record, as of the new record date, entitled to notice of the adjourned meeting. If the meeting is adjourned for not more than 45 days, and the board of directors does not fix a new record date for the adjourned meeting, notice need not be given of the adjourned meeting if the time and place (or the means of electronic transmission, electronic video screen communication, conference telephone, or other means of remote communication, if any, by which shareholders may participate) of the meeting are announced at the meeting at which the adjournment is taken, and any business may be transacted at the adjourned meeting that might have been transacted at the original meeting.

**Section 2.08 CONDUCT OF MEETINGS.** The board of directors may adopt by resolution such rules and regulations for the conduct of meetings of the shareholders as it shall deem appropriate. At every meeting of the shareholders, the chair of the board, or in their absence or inability to act, a director or officer designated by the board of directors shall serve as the chair of the meeting. The secretary or, in their absence or inability to act, the person whom the presiding officer of the meeting shall appoint secretary of the meeting, shall act as secretary of the meeting and keep the minutes thereof.

The chair of the meeting shall determine the order of business and, in the absence of a rule adopted by the board of directors, shall establish rules for the conduct of the meeting. The chair of the meeting shall announce the close of the polls for each matter voted upon at the meeting, after which no ballots, proxies, votes, changes, or revocations will be accepted. Polls for all matters before the meeting will be deemed to be closed upon final adjournment of the meeting.

**Section 2.09 INSPECTORS OF ELECTION.** Before any meeting of shareholders, the board of directors may appoint any persons other than nominees for office to act as inspectors of election at the meeting or its adjournment. If no inspectors of election are appointed, or if any person appointed fails to appear or refuses to act, the chair of the meeting may, and on the request of any shareholder or their proxy shall, appoint inspectors of election at the meeting. One or three inspectors may be appointed; provided that, if inspectors are appointed at a meeting on the request of one or more shareholders or proxies, the holders of a majority of shares present in person or proxy shall determine whether one or three inspectors are to be appointed.

The inspectors of election shall:

- (a) Determine the number of shares outstanding and the voting power of each, the shares represented at the meeting, the existence of a quorum, and the authenticity, validity, and effect of proxies.
- (b) Receive votes, ballots, or consents.

- (c) Hear and determine challenges and questions in connection with voting rights.
- (d) Count and tabulate all votes or consents.
- (e) Determine when the polls shall close.
- (f) Determine the result.
- (g) Do any other acts that may be proper to conduct the election or vote with fairness to all shareholders.

**Section 2.10 VOTING OF SHARES.** Each outstanding share, regardless of class or series, shall be entitled to one vote on each matter submitted to a vote of the shareholders, except as otherwise provided herein and to the extent that the Articles of Incorporation provide for more or less than one vote per share or limit or deny voting rights to the holders of the shares of any class or series.

A shareholder entitled to vote on any matter may vote part of such shares in favor of the proposal and refrain from voting the remaining shares or, other than in elections of directors, vote the remaining shares against the proposal. If a shareholder fails to specify the number of shares the shareholder is voting affirmatively, the shareholder will be deemed to have affirmatively voted all shares the shareholder is entitled to vote.

In any election of directors, each shareholder entitled to vote shall, subject to the satisfaction of all statutory conditions precedent to the exercise of such rights, have the right to cumulate the number of votes equal to the number of directors to be elected multiplied by the number of votes to which such shareholder's shares are entitled, and distribute those votes among one or more candidates. This right may be exercised by giving written notice of intent to cumulate those votes to any officer of the Corporation before the meeting or to the presiding officer at the meeting at any time before the election of directors.

The directors receiving the highest number of votes of the shares entitled to vote in the election, up to the number of director positions to be filled, shall be elected.

**Section 2.11 CONSENT OF ABSENTEES.** The transactions of any meeting of shareholders, however called or noticed, are as valid as though had at a meeting duly held after regular call and notice, if a quorum is present either in person or by proxy, and if, either before or after the meeting, each of the persons entitled to vote, not present in person or by proxy, signs a written waiver of notice, or a consent to the holding of such meeting, or an approval of the minutes thereof. The waiver, notice, or consent need not specify the business transacted or purpose of the meeting, except as required by Section 601 of the California Corporations Code. All such waivers, consents, or approvals shall be filed with the corporate records or made a part of the minutes of the meeting.

**Section 2.12 VOTING BY PROXY OR NOMINEE.** A shareholder may vote either in person or by written proxy executed by the shareholder or the shareholder's attorney in fact and filed with the secretary of the Corporation. A proxy is not valid after the expiration of 11 months from the date of its execution, unless otherwise provided in the proxy. A proxy continues in full force and effect until revoked, either by a written revocation delivered to the Corporation, by a subsequent proxy presented to the meeting, or by attending a meeting of the shareholders and voting the shares in person. A proxy is revocable unless the proxy states that it is irrevocable and the proxy is coupled with an interest. A proxy is not revoked by the death or incapacity of the shareholder appointing the proxy unless the Corporation receives written notice of such death or incapacity before the vote by proxy is counted.

**Section 2.13 ACTION BY SHAREHOLDERS WITHOUT A MEETING.** Any action required or permitted to be taken at an annual or special meeting of the shareholders may be taken without a meeting and without prior notice if a consent in writing, setting forth the action so taken, shall be signed by the holders of outstanding shares having not less than the minimum number of votes necessary to authorize or take such action at a meeting at which all shares are entitled to vote thereon were present and voted; provided, however, that unless the consents of all shareholders entitled to vote have been solicited in writing, notice shall be given (in the same manner as notice of meetings is to be given and within the time limits prescribed by law) of such action to all shareholders entitled to vote who did not consent in writing to such action; and provided further, that directors may be elected by written consent only if such consent is unanimously given by all shareholders entitled to vote, except that action taken by shareholders to fill one or more vacancies on the board other than a vacancy created by the removal of a director, may be taken by written consent of a majority of the outstanding shares entitled to vote.

### ARTICLE III DIRECTORS

**Section 3.01 NUMBER OF DIRECTORS.** The authorized number of directors shall be not less than 1 nor more than 3; provided that the minimum number or maximum number, or both, may be increased or decreased from time to time by an amendment to these Bylaws duly adopted in accordance with these Bylaws, Section 212 of the California Corporations Code, and other applicable law. The exact number of authorized directors shall be fixed, within the limits set forth in this Section, by the shareholders or board of directors.

**Section 3.02 POWERS; QUALIFICATIONS.** All corporate powers of the Corporation shall be exercised, and the business and affairs of the Corporation shall be managed, by or under the direction of the board of directors, except such powers expressly conferred upon or reserved to the shareholders, and subject to any limitations set forth by law, by the Articles of Incorporation or by these Bylaws. Directors must be natural persons 18 years of age or older.

Without limiting the generality of the foregoing, and subject to the same limitations, it is hereby expressly declared that the directors shall have the power and, to the extent required by law, the duty to:

- (a) Appoint and remove, at the pleasure of the board, all officers, managers, management companies, agents, and employees of the Corporation, prescribe their duties in addition to those prescribed in these Bylaws, supervise them, fix their compensation, and require from them security for faithful service. Such compensation may be increased or diminished at the pleasure of the directors.
- (b) Conduct, manage, and control the affairs and business of the Corporation; make rules and regulations not inconsistent with the Articles of Incorporation or applicable law or these Bylaws; make all lawful orders on behalf of the Corporation; and prescribe the manner of executing the same.
- (c) Incur indebtedness and borrow money on behalf of the Corporation and designate from time to time the person or persons who may sign or endorse checks, drafts, or other orders of payment of money, notes, or other evidences of indebtedness, issued in the name of, or payable to, the Corporation, and prescribe the manner of collecting or depositing funds of the Corporation, and the manner of drawing checks thereon.
- (d) Appoint an executive committee and other committees of the board, in accordance with the provisions of Section 3.12.
- (e) Authorize the issuance of stock of the Corporation from time to time, upon such terms as may be lawful.
- (f) Prepare an annual report to be sent to the shareholders after the close of the fiscal or calendar year of the Corporation, which report shall comply with the requirements of law. To the extent permitted by law, the requirements that an annual report be sent to shareholders and the time limits for sending such reports are hereby waived; the directors, nevertheless, shall have the authority to cause such report to be sent to shareholders.

**Section 3.03 TERM OF OFFICE.** At the first annual meeting of the shareholders and at each annual meeting thereafter, the shareholders entitled to vote in the election of directors shall elect directors, each of whom shall hold office until the next annual meeting of the shareholders or until the director's earlier death, resignation, disqualification, or removal. Despite the expiration of a director's term, the director shall continue to serve until the director's successor is elected and qualified.

**Section 3.04 VACANCIES AND NEWLY CREATED DIRECTORSHIPS.** A vacancy on the board of directors occurs upon any of the following events:

- (a) The death, resignation, or removal of any director.
- (b) The removal or declaration of vacancy by the board of directors of a director who has been declared of unsound mind by an order of court or convicted of a felony.



(c) The authorized number of directors is increased.

(d) At any meeting of the shareholders at which directors are elected, the shareholders fail to elect the full authorized number of directors to be elected at the meeting.

Vacancies in the board of directors, other than vacancies created by removal of a director, may be filled by the board of directors in accordance with Section 305 of the California Corporations Code. The shareholders may, at any time and in accordance with Section 305 of the California Corporations Code, elect a director to fill any vacancy not filled by the directors. A director elected to fill a vacancy shall hold office until the next annual meeting and until the director's successor is elected and qualified (or until the director's earlier death, resignation, disqualification, or removal). If any resignation of a director will take effect at a future time, a successor may be elected to take office when the resignation becomes effective. A reduction of the authorized number of directors does not remove any director prior to the expiration of the director's term of office.

**Section 3.05 REMOVAL.** The board of directors may declare vacant the office of a director who has been declared of unsound mind by an order of court or convicted of a felony, or otherwise in a manner provided by law.

Any or all of the directors may be removed from office at any time with or without cause by a vote of the shareholders entitled to elect them. If one or more directors are so removed at a meeting of shareholders, the shareholders may elect new directors at the same meeting.

**Section 3.06 RESIGNATION.** A director may resign by providing written notice to the chair of the board, the president, the secretary, or the board of directors. The resignation shall be effective upon the later of the date of receipt of the notice or the effective date specified in the notice.

**Section 3.07 MEETINGS OF DIRECTORS.**

A regular meeting of the newly-elected board of directors shall be held without other notice immediately following and at the place of each annual meeting of shareholders, at which meeting the board shall elect officers and transact any other business as shall come before the meeting. Regular meetings of the board of directors shall be held at such other times and places as may from time to time be fixed by resolution of the board of directors and, unless the Articles of Incorporation provide otherwise, regular meetings may be held without notice of the date, time, place, or purpose of the meeting.

Meetings of the board of directors, including special meetings, may be called by the chair of the board, the president, the secretary or any two directors.

Notice of the time and place of special meetings shall be given to each director. If notice is mailed, it shall be deposited in the United States mail, addressed to the director at the address shown on the records of the Corporation, at least four days before the time of the meeting. If notice is delivered personally, by telephone, or by electronic transmission, it shall be delivered at least 48 hours before the time of the meeting. The notice need not specify the purpose of the meeting.

Meetings of the board of directors may be held at any place within or without the State of California that is designated in the notice of the meeting. If no place is stated in the notice, meetings shall be held at the principal executive office of the Corporation unless another place has been designated by a resolution duly adopted by the board of directors.

**Section 3.08 ELECTRONIC PARTICIPATION.** Members of the board of directors may participate in a meeting through conference telephone, electronic video screen communication, or electronic transmission by and to the Corporation. Participation in a meeting by conference telephone or electronic video screen communication constitutes presence in person if all participating directors can hear one another. Participation by electronic transmission by and to the Corporation (other than conference telephone or electronic video screen communication) constitutes presence in person if each participating director can communicate concurrently with all other participating directors and each director has the means to participate in all matters before the board, including the ability to propose or object to a specific action proposed to be taken.

**Section 3.09 QUORUM OF AND ACTION BY DIRECTORS.** A majority of the authorized number of directors constitutes a quorum of the board of directors for the transaction of business. Any act approved by a majority of the directors present at a duly held meeting at which a quorum is present is the act of the board of directors, unless the California Corporations Code or the Articles of Incorporation require a greater number. A meeting at which a quorum is initially present may continue to transact business, notwithstanding the withdrawal of directors leaving less than a quorum, if any action is approved by at least a majority of the directors who constitute the required quorum for the meeting. A majority of the directors present, even if less than a quorum, may adjourn a meeting to another time and place. If a meeting is adjourned for more than 24 hours, notice of the adjournment to another time and place shall be given before the adjourned meeting to each director not present at the time of the adjournment.

**Section 3.10 COMPENSATION.** Directors shall receive compensation for their services as directors in such amount as may be fixed, from time to time, by resolution of the board of directors. The board of directors may, by resolution, authorize payment of a fixed fee and expenses of attendance, if any, for attendance at any meeting of the board of directors or committee thereof. A director shall not be precluded from serving the Corporation in any other capacity and receiving compensation for services in that capacity.

**Section 3.11 ACTION BY DIRECTORS WITHOUT A MEETING.** Any action required or permitted to be taken by the board of directors or any committee thereof may be taken without a meeting if all of the directors or committee members consent to the action in writing, and the number of directors or committee members then serving constitutes a quorum. The written consents shall be filed with the minutes of the proceedings of the board of directors or committee thereof.

**Section 3.12 COMMITTEES OF THE BOARD OF DIRECTORS.** The board of directors, by resolution adopted by a majority of the authorized number of directors, may designate one or more committees, each consisting of two or more directors, to serve at the pleasure of the board of directors and to exercise the authority of the board of directors to the extent provided in the resolution establishing the committee and as permitted by the provisions of the California Corporations Code.

No committee of the board of directors shall have the authority to:

- (a) Approve actions that require shareholder approval.
- (b) Fill vacancies on the board or on any committee.
- (c) Fix the compensation of the directors for serving on the board or on any committee.
- (d) Amend or repeal bylaws or adopt new bylaws.
- (e) Amend or repeal any resolution of the board of directors that by its terms is not so amendable or repealable.
- (f) Make distributions to shareholders, except at a rate, in a periodic amount, or within a range set forth in the Articles of Incorporation or determined by the board of directors.
- (g) Appoint other committees of the board of directors or the members thereof.

The board of directors, by vote of a majority of the authorized number of directors, may designate one or more directors as alternate members of any committee who may replace any absent member at any meeting of the committee.

The designation of a committee of the board of directors and the delegation thereto of authority shall not operate to relieve the board of directors, or any member thereof, of any responsibility imposed by law.

## ARTICLE IV OFFICERS

**Section 4.01 POSITIONS AND ELECTION.** The officers of the Corporation shall be elected by the board of directors and shall be a chair of the board, a president, a secretary, and a chief financial officer. The Corporation may have such other officers, including but not limited to one or more vice presidents or assistant vice presidents, a treasurer, and one or more assistant secretaries, as deemed necessary by the board of directors, with such authority as may be specifically delegated to such officers by the board of directors or these Bylaws. Any two or more offices may be held by the same person.

Officers shall be elected annually at the meeting of the board of directors held after each annual meeting of the shareholders. Each officer shall serve until a successor is elected and qualified or until the earlier death, resignation, or removal of that officer. Vacancies or new offices shall be filled at the next regular or special meeting of the board of directors.

**Section 4.02 REMOVAL AND RESIGNATION.** Any officer elected or appointed by the board of directors may be removed with or without cause by the affirmative vote of the majority of the board of directors. Removal shall be without prejudice to the contract rights, if any, of the officer so removed.

Any officer may resign at any time by giving written notice to the Corporation. Unless a different time is specified in the notice, the resignation shall be effective upon its receipt by the chair of the board, the president, the secretary, or the board of directors.

**Section 4.03 CHAIR OF THE BOARD.** The chair of the board shall preside at all meetings of the shareholders and the board of directors and shall perform all other duties as the board of directors shall assign. If the board of directors does not appoint a president, the chair of the board shall also be the chief executive officer and general manager of the Corporation.

**Section 4.04 PRESIDENT.** The president (who shall also be the chief executive officer and general manager of the Corporation) shall, subject to the direction of the board of directors, have general supervision and executive management over the business and affairs of the Corporation. The president shall see that all orders and resolutions of the board of directors are carried out and shall perform all other duties as the board of directors shall assign. If the board of directors does not appoint a chair of the board, the president shall preside at all meetings of the shareholders and the board of directors.

**Section 4.05 SECRETARY AND ASSISTANT SECRETARIES.** The secretary shall attend all meetings of the shareholders and the board of directors and shall record all votes and the minutes of all proceedings, shall perform like duties for the standing committees when required, and shall authenticate all records of the Corporation. The secretary shall give or cause to be given notice of all meetings of the shareholders, the board of directors, and committees thereof and shall perform all other duties as the board of directors or chair of the board or president shall assign.

The secretary shall keep, or cause to be kept, at the principal executive office of the Corporation or such other place as the board of directors may direct, a minute book of all meetings of the shareholders and the board of directors. The secretary shall keep, or cause to be kept, at the principal executive office of the Corporation, or at the office of the Corporation's transfer agent, a share register or a duplicate share register showing the names of the shareholders and their addresses, the number and classes of shares held by each, and the number and date of cancellation of every certificate surrendered for cancellation.

Each assistant secretary may, in the absence or disability of the secretary, perform the duties and exercise the powers of the secretary, and shall perform all other duties as the board of directors or the secretary shall assign.

In the absence of the secretary or an assistant secretary, the minutes of all meetings of the shareholders and the board of directors shall be recorded by the person designated by the board of directors or chair of the board or president.

**Section 4.06 CHIEF FINANCIAL OFFICER.** The chief financial officer (who shall also be the treasurer if the board of directors does not designate another officer to hold that office) shall have the custody of the corporate funds and securities, shall keep full and accurate accounts of receipts and disbursements of the Corporation, shall deposit all moneys and other valuable effects in the name and to the credit of the Corporation in the depositories designated by the board of directors, and shall perform all other duties as the board of directors or chair of the board or president shall assign.

The chief financial officer shall disburse the funds of the Corporation as may be ordered by the board of directors, taking proper vouchers for the disbursements. The chief financial officer shall keep and maintain the Corporation's books of account and shall render to the president, chair of the board, and board of directors an account of all of their transactions as chief financial officer and of the financial condition of the Corporation and exhibit the books, records, and accounts to the president, chair of the board, or board of directors at any time.

The assistant or assistants to the chief financial officer may, in the absence or disability of the chief financial officer, perform the duties and exercise the powers of the chief financial officer, and shall perform all other duties as the board of directors or chair of the board or president shall prescribe.

## **ARTICLE V INDEMNIFICATION OF DIRECTORS AND OFFICERS**

**Section 5.01 Indemnification Against Expenses.** The Corporation, to the extent permitted by the California General Corporation Law, (a) shall indemnify any Agent of the Corporation against expenses, including reasonable attorney's fees, actually and reasonably incurred in defense of any Proceeding in which the Agent was, is, or is threatened to be made a party by reason of being or having been an Agent of the Corporation, to the extent that the Agent was successful on the merits in the defense and shall have the power to advance to such Agent such expenses incurred by such Agent in defending any such Proceeding upon receipt of an undertaking by such Agent to repay such amounts if such Agent is not entitled to be indemnified for such amounts and (b) shall indemnify any person who was, is, or is threatened to be made a party to any Proceeding by or in the right of the Corporation to procure a judgment in its favor by reason of being or having been an Agent of the Corporation, against expenses, including reasonable attorney's fees, actually and reasonably incurred in defense or settlement of the Proceeding, if the person acted in good faith and in a manner the person believed to be in the best interests of the Corporation and the shareholders.

**Section 5.02 Indemnification Against Losses.** The Corporation shall, to the extent permitted by the California General Corporation Law and the Articles of Incorporation, indemnify any person who was, is, or is threatened to be made a party to any Proceeding (other than an action by or in the right of the Corporation) by reason of being or having been an Agent of the Corporation, against expenses, including reasonable attorney's fees, judgments, fines, settlements, and other amounts actually and reasonably incurred in connection with the Proceeding if the person (a) acted in good faith and in a manner the person believed to be in the best interests of the Corporation and the shareholders and (b) had no reasonable cause to believe the conduct of the person was unlawful, in the case of a criminal Proceeding.

**Section 5.03 Definitions.** For purposes of this Article V, (a) "Agent" means any person who (i) is or was a director, officer, employee, or other agent of the Corporation, or (ii) is or was serving at the Corporation's request as a director, officer, employee, or agent of another corporation, partnership, joint venture, trust, or other enterprise, or (iii) was a director, officer, employee, or agent of a corporation which was a predecessor corporation of the Corporation or of another enterprise at the request of such predecessor corporation, and (b) "Proceeding" means any threatened, pending, or completed action or proceeding, whether civil, criminal, administrative, or investigative.

**Section 5.04 INDEMNIFICATION RIGHTS NOT EXCLUSIVE; INSURANCE.** The foregoing rights of indemnification and advancement of expenses shall be in addition to and not exclusive of any other rights to which any director or officer may be entitled by applicable law, the Articles of Incorporation, action or resolution of the shareholders or disinterested directors, or any agreement with the Corporation.

The Corporation may, subject to the provisions of Section 317 of the California Corporations Code, purchase and maintain insurance to indemnify any Agent against any liability asserted against or incurred by an Agent in that capacity or arising out of the Agent's status as an Agent, whether or not the Corporation would have the power indemnify the Agent against that liability under Section 317 of the California Corporations Code.

## **ARTICLE VI SHARE CERTIFICATES AND TRANSFER**

**Section 6.01 SHARE CERTIFICATES.** Every owner of shares of the Corporation shall be entitled to a certificate, in such form, consistent with the Articles of Incorporation or any law, as shall be prescribed by the board of directors, certifying the number and class or series of shares owned by such shareholder. Shareholders can request and obtain a statement of rights, restrictions, preferences, and privileges regarding classified shares or a class of shares with two or more series, if any, from the Corporation's principal executive office. Each certificate issued shall bear all statements or legends required by law or the Articles of Incorporation to be affixed thereto, and shall be signed by (a) the chair of the board, any vice chair of the board, the president, or any vice president and (b) the chief financial officer, any assistant treasurer, the secretary, or any assistant secretary. No share shall be issued until the consideration therefor, fixed as provided by law, has been fully paid.

**Section 6.02 TRANSFERS OF SHARES.** Shares of the Corporation shall be transferable in the manner prescribed by law and in these Bylaws. Transfers of shares of the Corporation shall be made on the books of the Corporation only by the registered holder thereof or by such other person as may under law be authorized to endorse such shares for transfer, or by such shareholder's attorney thereunto authorized by power of attorney duly executed and filed with the secretary or transfer agent of the Corporation. Except as otherwise provided by law, upon surrender to the Corporation or its transfer agent of a certificate for shares duly endorsed or accompanied by proper evidence of succession, assignment, or authority to transfer, the Corporation shall issue a new certificate to the person entitled thereto, cancel the old certificate, and record the transaction upon its books. No transfer of shares shall be valid as against the Corporation for any purpose until it shall have been entered in the share transfer records of the Corporation by an entry showing from and to what person those shares were transferred.

**Section 6.03 REGISTERED SHAREHOLDERS.** The Corporation may treat the holder of record of any shares issued by the Corporation as the holder in fact thereof, for purposes of voting those shares, receiving distributions thereon or notices in respect thereof, transferring those shares, exercising rights of dissent with respect to those shares, exercising or waiving any preemptive right with respect to those shares, entering into agreements with respect to those shares in accordance with the laws of the State of California, or giving proxies with respect to those shares.

**Section 6.04 LOST, STOLEN, OR DESTROYED CERTIFICATES.** The board of directors may direct a new certificate or certificates to be issued in place of any certificate or certificates previously issued by the Corporation alleged to have been lost, stolen, or destroyed; provided, that the owner of the lost, stolen, or destroyed certificate (or the owner's legal representative) shall give the Corporation a bond or other adequate security sufficient to indemnify the Corporation against any claim against the Corporation on account of the alleged loss, theft, or destruction of any such certificate or the issuance of such new certificate.

## **ARTICLE VII CORPORATE RECORDS AND INSPECTION**

**Section 7.01 RECORDS.** The Corporation shall maintain adequate and correct books and records of account, minutes of the proceedings of the shareholders, board of directors, and committees of the board of directors, and a record of its shareholders, including names and addresses of all shareholders and the number and class of shares held, along with any other records required by law. The Corporation shall keep such record of its shareholders at its principal executive office, as fixed by the board of directors from time to time, or at the office of its transfer agent or registrar. The Corporation shall keep its books and records of account and minutes of the proceedings of the shareholders, board of directors, and committees of the board of directors at its principal executive office, or such other location as shall be designated by the board of directors from time to time.

**Section 7.02 INSPECTION OF BOOKS AND RECORDS.** The Corporation's accounting books and records and minutes of proceedings of the shareholders, board of directors, and committees of the board of directors shall, to the extent provided by law, be open to inspection of directors, shareholders, and voting trust certificate holders, in the manner provided by law.

**Section 7.03 CERTIFICATION AND INSPECTION OF BYLAWS.** The Corporation shall keep at its principal executive office in California, the original or a copy of these Bylaws as amended or otherwise altered to date, which shall be open to inspection by the shareholders at all reasonable times during office hours.

#### **ARTICLE VIII MISCELLANEOUS**

**Section 8.01 CHECKS, DRAFTS, ETC.** All checks, drafts, or other instruments for payment of money or notes of the Corporation shall be signed by an authorized officer or officers or any other person or persons as shall be determined from time to time by the board of directors.

**Section 8.02 FISCAL YEAR.** The fiscal year of the Corporation shall be as determined by the board of directors.

**Section 8.03 CONFLICT WITH APPLICABLE LAW OR ARTICLES OF INCORPORATION.** Unless the context requires otherwise, the general provisions, rules of construction, and the definitions of the California General Corporation Law shall govern the construction of these Bylaws. These Bylaws are adopted subject to any applicable law and the Articles of Incorporation. Whenever these Bylaws may conflict with any applicable law or the Articles of Incorporation, such conflict shall be resolved in favor of such law or the Articles of Incorporation.

**Section 8.04 INVALID PROVISIONS.** If any one or more of the provisions of these Bylaws, or the applicability of any provision to a specific situation, shall be held invalid or unenforceable, the provision shall be modified to the minimum extent necessary to make it or its application valid and enforceable, and the validity and enforceability of all other provisions of these Bylaws and all other applications of any provision shall not be affected thereby.

**Section 8.05 EMERGENCY MANAGEMENT OF THE CORPORATION.** During an Emergency the board of directors may modify procedures for the management and conduct of the business affairs of the Corporation, including, but not limited to, calling a meeting of the board of directors, quorum requirements for meetings of the board of directors, and designating additional or substitute directors; provided that any such modifications may not conflict with the Articles of Incorporation.

In anticipation of or during an Emergency, the board of directors may take any and all of the following actions to manage and conduct the business affairs of the Corporation:

- (a) Modify lines of succession to accommodate the incapacity of any director, officer, employee, or agent resulting from the Emergency.
- (b) Relocate the Corporation's principal office or designate alternative principal offices or regional offices.
- (c) Give notice to directors in any practicable matter under the circumstances, including but not limited to publication and radio, when notice of a meeting of the board of directors cannot be given in a manner prescribed by these Bylaws or Section 307 of the California Corporations Code.
- (d) Deem that one or more officers present at a meeting of the board of directors is a director, in order of rank and in order of seniority within the same rank, as necessary to achieve a quorum for that meeting.

**ARTICLE IX  
AMENDMENT OF BYLAWS**

**Section 9.01 AMENDMENT BY SHAREHOLDERS.** Unless otherwise provided by the Articles of Incorporation, these Bylaws, or the California Corporations Code, the shareholders may adopt, amend, or repeal bylaws.

**Section 9.02 AMENDMENT BY DIRECTORS.** Subject to the rights of shareholders under, and any limitations imposed by, the California Corporations Code, the board of directors may adopt, amend, or repeal bylaws.

**CERTIFICATE OF SECRETARY  
OF  
LUSHER BIOSCIENTIFIC,  
a California corporation**

The undersigned, Desheng Wang, hereby certifies that the undersigned is the duly elected and acting CEO and President of Lusher Bioscientific, a California corporation (the "**Corporation**"), and that the foregoing Bylaws were adopted as the Bylaws of the Corporation as of January 8, 2022, do now constitute the Bylaws of the Corporation.

**IN WITNESS WHEREOF**, the undersigned has executed this certificate on behalf of the Corporation as of this 8<sup>th</sup> day of January, 2022.

**Lusher Bioscientific**

By:   /s/Desheng Wang  \_\_\_\_\_  
Name: Desheng Wang  
Title: CEO and President





202254010267



**STATE OF CALIFORNIA**  
*Office of the Secretary of State*  
**ARTICLES OF ORGANIZATION**  
**CA LIMITED LIABILITY COMPANY**  
 California Secretary of State  
 1500 11th Street  
 Sacramento, California 95814  
 (916) 653-3516

For Office Use Only  
**-FILED-**  
 File No.: 202254010267  
 Date Filed: 12/29/2022

B1357-3160 12/29/2022 10:16 AM Received by California Secretary of State

Limited Liability Company Name	
Limited Liability Company Name	AT TECH SYSTEMS LLC
Initial Street Address of Principal Office of LLC	
Principal Address	2311 E LOCUST CT ONTARIO, CA 91761
Initial Mailing Address of LLC	
Mailing Address	2311 E LOCUST CT ONTARIO, CA 91761
Attention	
Agent for Service of Process	
Agent Name	DESHENG WANG
Agent Address	2311 E LOCUST CT ONTARIO, CA 91761
Purpose Statement	
The purpose of the limited liability company is to engage in any lawful act or activity for which a limited liability company may be organized under the California Revised Uniform Limited Liability Company Act.	
Management Structure	
The LLC will be managed by	One Manager
Additional information and signatures set forth on attached pages, if any, are incorporated herein by reference and made part of this filing.	
Electronic Signature	
<input checked="" type="checkbox"/> By signing, I affirm under penalty of perjury that the information herein is true and correct and that I am authorized by California law to sign.	
<i>DESHENG WANG</i>	<i>12/29/2022</i>
Organizer Signature	Date

**OPERATING AGREEMENT  
OF  
AT TECH SYSTEMS LLC  
A Manager-Managed California Limited Liability Company**

This Operating Agreement (the “**Agreement**”) of AT TECH SYSTEMS LLC (the “**Company**”) is hereby made and entered into this March 27, 2023 by the Company and Focus Universal Inc., a Nevada corporation. These individuals and/or business entities shall be known as and referred to as “**Members**” and individually as a “**Member**.”

**ARTICLE I  
Organizational Matters**

**Section 1.01 Formation.** The Members hereby form a manager-managed limited liability company (the “**Company**”) pursuant to the California Revised Uniform Limited Liability Company Act (the “**RULLCA**”), as it may be amended from time to time, effective upon the filing of the Articles of Organization of this Company with the California Secretary of State. The affairs of the Company shall be governed by this Agreement and the laws of the State of California. The Company shall immediately, and from time to time hereafter, as may be required by law, execute any required amendments to its Articles of Organization, and do all filings, recordings and other acts as may be appropriate to comply with the operation of the Company under the RULLCA.

**Section 1.02 Name.** The name of the Company shall be AT TECH SYSTEMS LLC.

**Section 1.03 Principal/Registered Office.** The principal office of the Company shall be at 2311 East Locust Court, Ontario, California 91761, or at such other place as shall be determined by the Manager (as defined in Section 4.01). The books of the Company shall be maintained at such principal place of business or such other place that the Manager shall deem appropriate. The registered office in the State of California is located at 2311 East Locust Court, Ontario, California 91761. The registered agent of the Company for service of process at such address is 2311 East Locust Court, Ontario, California 91761. Such registered office and registered agent may be changed by the Manager from time to time.

**Section 1.04 Term.** Unless the Company is dissolved in accordance with the provisions of Article 8 of this Agreement, the RULLCA or other California law, the existence of the Company shall be perpetual.

**Section 1.05 Purpose; Powers; Operating Agreement.**

- (a) The purpose of the Company is to engage in any lawful act or activity for which limited liability companies may be formed under RULLCA and to engage in any and all activities necessary or incidental thereto.
- (b) The Company shall have all the powers necessary or convenient to carry out the purposes for which it is formed, including the powers granted by RULLCA.
- (c) This Agreement shall constitute the “operating agreement” (as that term is used in RULLCA) of the Company. The rights, powers, duties, obligations, and liabilities of the Members shall be determined pursuant to RULLCA and this Agreement. To the extent that the rights, powers, duties, obligations, and liabilities of any Member are different by reason of any provision of this Agreement than they would be under RULLCA in the absence of such provision, this Agreement shall, to the extent permitted by RULLCA, control.

**Section 1.06 Principal Place of Business.** The location of the principal place of business of the Company shall be 2311 East Locust Court, Ontario, California 91761; or at such other place as the Manager may from time to time select.

**Section 1.07 The Members.** The name, business or residence address, and respective membership interest of each member is contained in Exhibit A attached to this Agreement.

**Section 1.08 Admission of Additional Members.** Except as otherwise expressly provided in the Agreement, no additional members may be admitted to the Company through issuance by the Company of a new interest in the Company without the prior unanimous written consent of the Members.

## **ARTICLE 2 Capital Contributions**

**Section 2.01 Initial Contributions.** Contemporaneously with the execution of this Agreement, each Member has made an initial capital contribution and is deemed to own Membership Interests in the amounts set forth opposite such Member's name on Exhibit A attached hereto. The Manager shall update Exhibit A upon the issuance or Transfer of any Membership Interests to any new or existing Member in accordance with this Agreement.

**Section 2.02 Additional Contributions.** No Member shall be required to make any additional capital contributions to the Company. No Member shall be required to lend any funds to the Company and no Member shall have any personal liability for the payment or repayment of any capital contribution by or to any other Member.

**Section 2.03** No Member shall be entitled to withdraw any part of its capital contribution or to receive any distribution from the Company, except as otherwise provided in this Agreement.

## **ARTICLE 3 Tax, Profits, Losses and Distributions**

**Sections 3.01 Profits/Losses.** For financial accounting and tax purposes, the Company's net profits or net losses shall be determined on an annual basis and shall be allocated to the Members in proportion to each Member's Membership Interest in the Company as set forth in Exhibit A as amended from time to time in accordance with Treasury Regulation 1.704-1. The Members intend that the Company be taxed as a partnership. Any provision of this Agreement that may cause the Company not to be taxed as a partnership shall be deemed inoperative.

**Section 3.02 Distributions.** The Members shall determine and distribute available funds annually or at more frequent intervals as they see fit. Available funds, as referred to herein, shall mean the net cash of the Company available after appropriate provision for expenses and liabilities, as determined by the Manager. Distributions in liquidation of the Company or in liquidation of a Member's interest shall be made in accordance with the positive capital account balances pursuant to Treasury Regulation 1.704-1(b)(2)(ii)(b)(2). To the extent a Member shall have a negative capital account balance, there shall be a qualified income offset, as set forth in Treasury Regulation 1.704-1(b)(2)(ii)(d).

## **ARTICLE 4 Management**

**Section 4.01 Management of the Business.** The Members holding a majority of the capital interests in the Company, as set forth in Exhibit A as amended from time to time, shall elect the Manager of the Company. The initial Manager shall be Desheng Wang on behalf of Focus Universal Inc. or such other person or Member as may be designated by Focus Universal Inc.

**Section 4.02 Members.** The liability of the Members shall be limited as provided under the RULLCA. Members that are not the Manager shall take no part in the control, management, direction, or operation of the Company's affairs and shall have no power to bind the Company. The Manager may from time to time seek advice from the Members, but need not accept such advice, and at all times the Manager shall have the exclusive right to control and manage the Company. No Member shall be an agent of any other Member of the Company solely by reason of being a Member.

**Section 4.03 Action Without Meeting.** Any matter that is to be voted on, consented to or approved by Members may be taken without a meeting, without prior notice and without a vote if consented to, in writing or by Electronic Transmission, by a Member or Members having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all members entitled to vote thereon were present and voted. A record shall be maintained by the Manager of each such action taken by written consent of a Member or Members.

**Section 4.04 Powers of the Manager.** The Manager is authorized on the Company's behalf to make all decisions as to (a) the purchase, sale, development, lease or other disposition of real property; (b) the purchase or other acquisition of other assets of all kinds; (c) the management of all or any part of the Company's assets; (d) the borrowing of money and the granting of security interests in the Company's assets; (e) the pre-payment, refinancing or extension of any loan affecting the Company's assets; (f ) the compromise or release of any of the Company's claims or debts; and (g) the employment of persons, firms or corporations for the operation and management of the company's business. In the exercise of its management powers, the Manager is authorized to execute and deliver (a) all contracts, conveyances, assignments leases, sub-leases, franchise agreements, licensing agreements, management contracts and maintenance contracts covering or affecting the Company's assets; (b) all checks, drafts and other orders for the payment of the Company's funds; (c) all promissory notes, loans, security agreements and other similar documents; and (d) all other instruments of any other kind relating to the Company's affairs, whether like or unlike the foregoing.

**Section 4.05 Restrictions on the Manager's Authority.** Notwithstanding anything to the contrary elsewhere in this Agreement, the Manager shall not take or agree to take any of the following actions without the unanimous consent of the Members:

- (a) File on behalf of the Company a petition for bankruptcy protection;
- (b) Sell, lease, exchange, or otherwise dispose of all, or substantially all, of the Company's property, with or without the goodwill, outside the ordinary course of the Company's activities without prior consent of all Members;
- (c) Sell an interest in the Company that equals or exceeds 50% of the Company; or
- (d) Merge the Company into or with another company.

**Section 4.06 Company Information.** Upon request, the Manager shall supply to any Member information regarding the Company or its activities. Each Member or its authorized representative shall have access to and may inspect and copy all books, records and materials in the Manager's possession regarding the Company or its activities. The exercise of the rights contained in this Section 4.06 shall be at the requesting Member's expense.

**Section 4.07 Exculpation.** Any act or omission of the Manager, the effect of which may cause or result in loss or damage to the Company or the Members if done in good faith to promote the best interests of the Company, shall not subject the Manager to any liability to the Members.

**Section 4.08 Indemnification.** The Company shall indemnify any person who was or is a party defendant or is threatened to be made a party defendant, pending or completed action, suit or proceeding, whether civil, criminal, administrative, or investigative (other than an action by or in the right of the Company) by reason of the fact that it is or was a Member of the Company, Manager, employee or agent of the Company, or is or was serving at the request of the Company, for instant expenses (including attorney's fees), judgments, fines, and amounts paid in settlement actually and reasonably incurred in connection with such action, suit or proceeding if the Members determine that it acted in good faith and in a manner it reasonably believed to be in or not opposed to the best interest of the Company, and with respect to any criminal action proceeding, has no reasonable cause to believe its conduct was unlawful. The termination of any action, suit, or proceeding by judgment, order, settlement, conviction, or upon a plea of "nolo contendere" or its equivalent, shall not in itself create a presumption that the person did or did not act in good faith and in a manner which the person reasonably believed to be in the best interest of the Company, and, with respect to any criminal action or proceeding, had reasonable cause to believe that the conduct was lawful.

**Section 4.09 Records.** The Manager shall cause the Company to keep at its principal place of business the following:

- (a) a current list in alphabetical order of the full name and the last known street address of each Member;
- (b) a copy of the Articles of Organization and the Company Operating Agreement and all amendments;
- (c) copies of the Company's federal, state and local income tax returns and reports, if any, for the three (3) most recent years; and
- (d) copies of any financial statements of the Company for the three (3) most recent years.

**ARTICLE 5  
Compensation**

**Section 5.01 Compensation and Reimbursement of Manager.** The Manager shall not be compensated for its services as the Manager, but the Company shall reimburse the Manager for all ordinary, necessary and direct expenses incurred by the Manager on behalf of the Company in carrying out the Company's business activities, including, without limitation, salaries of officers and employees of the Manager who are carrying out the Company's business activities. All reimbursements for expenses shall be reasonable in amount.

**Section 5.02 No Personal Liability.** Except as otherwise provided in the RULLCA, or expressly in this Agreement, the Manager will not be obligated personally for any debt, obligation or liability of the Company or of any Company subsidiary, whether arising in contract, tort or otherwise, solely by reason of being the Manager.

**ARTICLE 6  
Bookkeeping**

**Section 6.01 Books.** The Manager shall maintain complete and accurate books of account of the Company's affairs at the Company's principal place of business. Such books shall be kept on such method of accounting as the Manager shall select. The Company's accounting period shall be the calendar year.

**Section 6.02 Member's Accounts.** The Manager shall maintain separate capital and distribution accounts for each Member. Each Member's capital account shall be determined and maintained in the manner set forth in Treasury Regulation 1.704-1(b)(2)(iv) and shall consist of its initial capital contribution increased by:

- (a) any additional capital contribution made;
- (b) credit balances transferred from the distribution account to the capital account;

and decreased by:

- (c) distributions to Members in reduction of Company capital;
- (d) the Member's share of Company losses if charged to its capital account.

**Section 6.03 Reports.** The Manager shall close the books of account after the close of each calendar year, and shall prepare and send to each Member a statement of such Member's distributive share of income and expense for income tax reporting purposes.

**ARTICLE 7**  
**Transfers**

**Section 7.01 Assignment.** If at any time a Member proposes to sell, assign or otherwise dispose of all or any part of its interest in the Company, such Member shall first make a written offer to sell such interest to the other Members at fair market value in accordance with Section 7.03. If such other Members decline or fail to elect to purchase such interest, and if the sale or assignment is made and the Members fail to approve this sale or assignment unanimously then, pursuant to the RULLCA, and subject to Section 7.05 hereof, the purchaser or assignee shall have no right to participate in the management of the business or affairs of the Company. The purchaser or assignee shall only be entitled to receive the share of the profits or other compensation by way of income and the return of contributions to which that Member would otherwise be entitled.

**Section 7.02 Involuntary Transfers.** If the Membership Interest of any Member is purported to be transferred involuntarily, including, without limitation, any purported transfer by or pursuant to bankruptcy, receivership, attachment, or operation of law; then, and in that event, the Company shall purchase the Membership Interest purportedly transferred at its Purchase Value as determined as provided in Section 7.03 herein.

**Section 7.03 Method of Determining Purchase Value.** Purchase Value as used herein shall mean the Purchase Value of the Membership Interests of the Company established by a written ("Certificate of Agreed Value") signed by each Member and filed with the Company (the "Purchase Value"). If, at any time when it becomes necessary to determine Purchase Value of the Membership Interests of the Company, a Certificate of Agreed Value is in existence and such Certificate of Agreed Value is dated less than two (2) years before the date as of which the Purchase Value is to be determined, then the agreed value set forth in such certificate shall be conclusive as to the Purchase Value and shall be accepted as the Purchase Value as of the date on which Purchase Value is to be determined, and no accountant's determination of book value shall be required or made. In no event shall a Certificate of Agreed Value be effective unless signed by all the Members. The Members may at any time execute a new Certificate of Agreed Value which shall automatically replace all prior Certificates of Agreed Value and in no event shall any but the last Certificate of Agreed Value be effective, if at all, for the purpose herein specified. In the event there is no Certificate of Agreed Value or in the event the same is more than two (2) years old, then the Purchase Value of all Membership Interest shall be determined by the Company's accountant. The determination of the fair market value of a Membership Interest by the accountant shall be binding on all parties.

**Section 7.04 Payment of Purchase Value.** Whenever under this Agreement the Company exercises any option or right to redeem or purchase Membership Interests of any Member, the Purchase Value shall be paid to the Member whose Membership Interests have been redeemed or purchased in cash within ninety (90) days after notice to the affected Member.

**Section 7.05 Admission of New Members.** Unless and until admitted as a Member of the Company, the transferee of Membership Interest shall not be entitled to any of the rights, powers, or privileges of a Member, except that the transferee shall be entitled to receive the distributions and allocations to which the Member would be entitled but for the transfer of its Membership Interest. In the case of a person acquiring a Membership Interest after the admission of initial members, the person shall only be admitted to membership in the sole and exclusive discretion of the Manager, including such additional Member's execution of and becoming a party to this Agreement.

**ARTICLE 8**  
**Dissolution**

**Section 8.01 Termination Event.** The Company shall dissolve and commence winding up and liquidating only upon the occurrence of the first to occur of any of the following (individually, a “**Termination Event**”):

- (a) The written direction of the Members, at any time;
- (b) Any event which makes it unlawful for the business of the Company to be carried on by the Members;
- (c) The sale or other disposition of all, or substantially all, of the assets of the Company and the sale and/or collection of any evidence of indebtedness received in connection therewith;
- (d) The entry of a decree of judicial dissolution pursuant to Section 17707.03 of the RULLCA; or
- (e) Any other event causing a dissolution of a Limited Liability Company under the laws of the State of California.

Notwithstanding dissolution of the Company, prior to the liquidation and termination of the Company, the Company shall continue to be governed by this Agreement.

**Section 8.02 Winding Up; Sale of Assets Upon Dissolution.** Upon a Termination Event, the Company shall cease to carry on its business, except insofar as may be necessary for the winding up of its affairs in any orderly manner, liquidating its assets, and satisfying the claims of its creditors, but the separate existence of the Company shall continue until a Certificate of Dissolution has been filed with the California Secretary of State or until a decree dissolving the Company has been entered by a court of competent jurisdiction. The Manager shall oversee the winding up and liquidating of the Company and shall take full account of the Company’s liabilities and assets upon a Termination Event. The Manager shall determine whether the assets of the Company are to be sold or whether some or all of such assets are to be distributed to the Members in kind upon the liquidation of the Company. Upon the completion of the winding up, liquidation and distribution of the assets, the Company shall be deemed terminated. The Company shall comply with the applicable requirements of the RULLCA pertaining to the winding up of the affairs of the Company and the final distribution of its assets.

**Section 8.03 Distributions Upon Dissolution.** Upon the dissolution of the Company, the properties of the Company to be sold shall be liquidated in orderly fashion and the proceeds thereof, and the property to be distributed in kind, shall be distributed as follows:

- (a) First, to the payment and discharge of all of the Company’s debts and liabilities, to the necessary expenses of liquidation and to the establishment of any cash reserves which the Members determine to create for un-matured and/or contingent liabilities or obligations of the Company.
- (b) Second, to the Members.

**Section 8.04 Certificate of Dissolution.** When all debts, liabilities and obligations have been paid and discharged or adequate provisions have been made therefor and all of the remaining property and assets have been distributed to the Members, a Certificate of Dissolution shall be executed and filed with the California Secretary of State in the manner provided in Section 17707.08 of the RULLCA.

**ARTICLE 9**  
**Miscellaneous Provisions**

**Section 9.01 Competing Business.** Except as otherwise expressly provided in this Agreement or the RULLCA, neither the Members nor their shareholders, directors, officers, employees, partners, agents, or affiliates, shall be prohibited or restricted from investing in or conducting, either directly or indirectly, businesses of any nature whatsoever, including the ownership and operation of businesses similar to or in the same geographical area as those held by the Company; and any investment in or conduct of any such businesses by any such person or entity shall not give rise to any claim for an accounting by any Member or the Company or any right to claim any interest therein or the profits therefrom.

**Section 9.02 Members' Securities Law Representations.** Each Member represents that it understands that the securities hereby subscribed will be issued without registration under Federal or state securities laws pursuant to an exemption from such laws. Notwithstanding anything contained in the Agreement to the contrary, each Member hereby represents and warrants to the Company, the Manager and to each other that:

- (a) The Membership Interest of the Member is acquired for investment purposes only, for the Member's own account, and not with a view to or in connection with any distribution, reoffer, resale or other disposition not in compliance with the Securities Act of 1933, as amended, and the rules and regulations thereunder (the "Act"), and applicable state securities laws;
- (b) The Member, alone or together with the Member's representatives, possesses such expertise, knowledge and sophistication in financial and business matters generally, and in the type of transactions in which the Company proposes to engage in particular, that the Member is capable of evaluating the merits and economic risks of acquiring and holding the Membership Interest and the Member is able to bear all such economic risks now and in the future;
- (c) The Member has had access to all of the information with respect to the Membership Interest acquired by the Member under this Agreement that the Member deems necessary to make a complete evaluation thereof and has had the opportunity to question the other Members and the Manager concerning such Membership Interest;
- (d) The Member's decision to acquire the Membership Interest for investment has been based solely upon the evaluation made by the Member;
- (e) The Member is aware that the Member must bear the economic risk of an investment in the Company for an indefinite period of time because Membership Interests have not been registered under the Act or under the securities laws of various states and, therefore, cannot be sold unless such membership interests are subsequently registered under the Act and any applicable state securities laws or an exemption from registration is available;
- (f) The Member is aware that only the Company can take action to register Membership Interests and the Company is under no obligation and does not propose to attempt to do so;
- (g) The Member is aware that this Agreement provides restrictions on the ability of a Member to sell, transfer, assign, mortgage, hypothecate or otherwise encumber the Member's Membership Interest; and
- (h) The Member agrees that the Member will truthfully and completely answer all questions, and make all covenants, that the Company or the Manager may, contemporaneously or hereafter, ask or demand for the purpose of establishing compliance with the Act and applicable state securities laws.



**Section 9.03 Notice.** All Notices, demands or requests provided for or permitted to be given pursuant to this Agreement must be in writing. All notices, demands and requests to be sent to any Member or Members pursuant to this Agreement shall be deemed to have been properly given or served if addressed to such person at the address as it appears on the Company records and personally delivered, deposited for next day delivery by an overnight courier service, deposited in the United States mail, prepaid and registered or certified with return receipt requested, or transmitted via facsimile or other similar device to the attention of such person with receipt acknowledged. The Members shall have the right, at any time during the term of this Agreement, to change their respective addresses by delivering to the Manager written notice of such change. All distributions to any Member shall be made at the address to which notices are sent unless otherwise specified in writing by any such Member.

**Section 9.04 Governing Law; Arbitration.** This Agreement shall be interpreted, construed and enforced in accordance with the laws of the State of California. Any dispute arising out of or in connection with this Agreement or the breach thereof shall be decided by arbitration to be conducted in Orange County, California in accordance with the then prevailing commercial arbitration rules of the American Arbitration Association, and judgment thereof may be entered in any court having jurisdiction thereof.

**Section 9.05 Waiver.** No consent or waiver, express or implied, by any Member to or for the breach or default by any other Member in the performance by such other Member of its obligations under this Agreement shall be deemed or construed to be a consent or waiver to or of any other breach or default in the performance by such other Member of the same or any other obligations of such other Member under this Agreement. Failure on the part of any Member to complain of any act or failure to act of any of the other Members or to declare any of the other Members in default, regardless of how long such failure continues, shall not constitute a waiver by such Member of his or its rights hereunder.

**Section 9.06 No Third-Party Beneficiaries.** Subject to the restrictions on transferability set forth in this Agreement, this Agreement shall inure to the benefit of and be binding upon the undersigned Members and their respective legal representatives, successors and assigns. Nothing in this Agreement, expressed or implied, is intended or shall be construed to give any creditor of the Company or any creditor of any Member or any other person or entity whatsoever, other than the Members and the Company, any legal or equitable right, remedy or claim under or in respect of this Agreement or any covenant, condition or provisions herein contained, and such provisions are and shall be held to be for the sole and exclusive benefit of the Members and the Company.

**Section 9.07 Counterparts.** This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall be deemed to be one and the same agreement. A signed copy of this Agreement delivered by facsimile, e-mail or other means of electronic transmission shall be deemed to have the same legal effect as delivery of an original signed copy of this Agreement.

**Section 9.08 Entire Agreement; Amendments; Severability.** This Agreement, including all exhibits and schedules hereto, as amended from time to time in accordance with the terms of this Agreement, contains the entire agreement between the parties relative to the subject matters hereof. This Agreement or the Articles of Organization may only be amended or modified by writing executed and delivered by Members owning not less than seventy-five percent (75%) of the Membership Interests. If any provision of this Agreement or the application thereof to any person or circumstance shall be invalid or unenforceable to any extent, the remainder of this Agreement and the application of such provisions to other persons or circumstances shall not be affected thereby, and the intent of this Agreement shall be enforced to the greatest extent permitted by law. The designations of Members and Manager as used herein shall include singular, plural, masculine, feminine or neuter as required by context.

**IN WITNESS WHEREOF**, the undersigned, being all Members of the Company, have caused this Agreement to be duly adopted by the Company as of the day and year first above written and do hereby agree to be bound by all of the terms and provisions set forth in this Agreement.

**AT TECH SYSTEMS LLC, a California limited liability company**

By: /s/Desheng Wang  
Desheng Wang, Manager

**Sole Member**

**FOCUS UNIVERSAL INC., a Nevada corporation,  
as the Manager and as a Member**

By: /s/Desheng Wang  
Desheng Wang, Manager on behalf of Focus Universal Inc.

**EXHIBIT A**

**LISTING OF MEMBERS AND MEMBERSHIP INTERESTS**

<b>Member</b>	<b>Address, Fax Number, and Email</b>	<b>Capital Contribution</b>	<b>Membership Interest</b>
Focus Universal, Inc.	2311 East Locust Court, Ontario, CA 91761	All assets acquired in the Asset Purchase Agreement dated as of December 19, 2022 is hereby contributed.	100%

**Exhibit 31.1**

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER  
PURSUANT TO SECTION 302 OF THE  
SARBANES-OXLEY ACT OF 2002**

I, Desheng Wang, certify that:

1. I have reviewed this Annual Report on Form 10-K of Focus Universal Inc. for the year ended December 31, 2022;
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 controls 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 control 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; and
  - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: March 31, 2023

By: /s/ Desheng Wang  
Desheng Wang  
Chief Executive Officer  
(Principal Executive Officer)

**CERTIFICATION OF PRINCIPAL ACCOUNTING OFFICER  
PURSUANT TO SECTION 302 OF THE  
SARBANES-OXLEY ACT OF 2002**

I, Irving H Kau, certify that:

1. I have reviewed this Annual Report on Form 10-K of Focus Universal Inc. for the year ended December 31, 2022;
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 controls 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 control 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; and
  - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: March 31, 2023

By: /s/ Irving H Kau  
Irving H Kau  
Chief Financial Officer  
(Principal Financial Officer)

**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 Annual Report of Focus Universal Inc. (the "Company") on Form 10-K for the year ended December 31, 2022, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Desheng Wang, Chief Executive Officer (Principal Executive Officer) of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

Dated: March 31, 2023

By: /s/ Desheng Wang  
Desheng Wang  
Chief Executive Officer  
(Principal Executive Officer)

**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 Annual Report of Focus Universal Inc. (the "Company") on Form 10-K for the year ended December 31, 2022, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Irving H Kau, Chief Financial Officer (Principal Financial Officer) of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

Dated: March 31, 2023

By: /s/ Irving H. Kau  
Irving H. Kau  
Chief Financial Officer  
(Principal Financial Officer)