

# Disclosure Statement Pursuant to the Pink Basic Disclosure Guidelines



## Iveda Solutions, Inc.

460 S. Greenfield Rd, Suite 5

Mesa, AZ 85206

Tel: (480) 307-8700

Websites: [www.iveda.com](http://www.iveda.com)

Email: [irlist@iveda.com](mailto:irlist@iveda.com)

SIC Code: 7372

## QUARTERLY REPORT FOR THE 6 MONTHS ENDED JUNE 30, 2021

As of the date of this Filing the number of issued and outstanding Common Shares was 72,232,864

As of June 30, 2021 (current reporting period date) the number of issued and outstanding Common Shares was 71,992,492

As of March 31, 2021 (previous reporting period date) the number of issued and outstanding Common Shares was 62,682,024

As of December 31, 2020 (most recent fiscal year end date) the number of issued and outstanding Common Shares was 52,671,395

As of December 31, 2019 (the second most recent fiscal year end date) the number of issued and outstanding Common Shares was 51,401,395

Indicate by check mark whether the company is a shell company (as defined in Rule 405 of the Securities Act of 1933 and Rule 12b-2 of the Exchange Act of 1934):

Yes:  No:  (Double-click and select "Default Value" to check)

Indicate by check mark whether the company's shell status has changed since the previous reporting period:

Yes:  No:

Indicate by check mark whether a Change in Control<sup>1</sup> of the company has occurred over this reporting period:

Yes:  No:

<sup>1</sup> "Change in Control" shall mean any events resulting in:

(i) Any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) becoming the "beneficial owner" (as defined in Rule 13d-3 of the Exchange Act), directly or indirectly, of securities of the Company representing fifty percent (50%) or more of the total voting power represented by the Company's then outstanding voting securities;

(ii) The consummation of the sale or disposition by the Company of all or substantially all of the Company's assets;

(iii) A change in the composition of the Board occurring within a two (2)-year period, as a result of which fewer than a majority of the directors are directors immediately prior to such change; or

(iv) The consummation of a merger or consolidation of the Company with any other corporation, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or its parent) at least fifty percent (50%) of the total voting power represented by the voting securities of the Company or such surviving entity or its parent outstanding immediately after such merger or consolidation.

1) **Name of the issuer and its predecessors (if any)**

Name of Issuer: **Iveda Solutions, Inc. (from December 22, 2010 to date)**  
**460 S. Greenfield Rd, Suite 5**  
**Mesa, AZ 85206**

Predecessor Names: **Iveda Corporation (from October 15, 2009 – December 22, 2010)** **Charmed Homes, inc. (from June 27 2006 – October 15, 2009)**

We were incorporated in the **State of Nevada on June 27, 2006**. The Issuer is in active status currently.

We have had no trading suspension orders issued by the SEC concerning the Issuer or its predecessors since inception.

We have had no stock split, stock dividend, recapitalization, merger, acquisition, spin-off or reorganization either currently anticipated or that have occurred within the past 12 months.

Address of Issuer's principal executive office and principal place of business:

**460 S. Greenfield Rd, Suite 5**  
**Mesa, AZ 85206**

Has the issuer or any of its predecessors ever been in bankruptcy, receivership, or any similar proceeding in the past five years?

Yes:

No:

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2) **Security Information**

Trading symbol: **IVDA**  
Exact title and class of securities outstanding: **Common Shares**  
CUSIP: **46583A105**  
Par or stated value: **\$0.00001**  
**Common Shares:**  
Total shares authorized: **100,000,000\*** as of date June 30, 2021  
Total shares outstanding: **71,992,492** as of date: June 30, 2021  
Number of shares in the Public Float<sup>2</sup>: **53,000,000** as of date: June 30, 2021  
Total number of shareholders of record: **284** as of date: June 30, 2021

*Additional class of securities (if any):*

**Preferred Shares: Total authorized 100,000,000\***  
Preferred shares designated and issued to date:

Trading symbol: **N/A**  
Exact title and class of securities outstanding: **Convertible Series B Preferred shares**  
CUSIP: **N/A**  
Par or stated value: **\$ 0.00001**  
Total shares authorized: **500** as of date: June 30, 2021  
Total shares outstanding: **4.75** as of date: June 30, 2021

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<sup>2</sup> "Public Float" shall mean the total number of unrestricted shares not held directly or indirectly by an officer, director, any person who is the beneficial owner of more than 10 percent of the total shares outstanding (a "control person"), or any affiliates thereof, or any immediate family members of officers, directors and control persons.

**Transfer Agent**

Name: **American Stock Transfer & Trust Company**  
Phone: **602-759-5510**  
Email: **jkane@astfinancial.com**  
Address: **6201 15<sup>th</sup> Avenue,**



2/3/21	New Issuance	142,857	Common	\$0.35	Yes	Michael Joseph Finfrock	Stock Purchase	Restricted	
2/5/21	New Issuance	3,353,486	Common	\$0.35	No. Issued at conversion price	Wolverine Flagship Trust Trading Limited, Melissa Vinton, Control Person	Conversion of Series B shares@ \$0.35/share	Unrestricted	144
2/22/21	New Issuance	857,143	Common	\$0.35	Yes	Timothy and Tram Do Gustin Family Trust dated November 6, 2014, Timothy and Tram Do Gustin, Control Persons	Stock Purchase	Restricted	
2/22/21	New Issuance	2,500,000	Common	\$0.35	Yes	Benjamin Binh Tran	Consulting	Restricted	
2/22/21	New Issuance	2,500,000	Common	\$0.35	Yes	United System Capital, LLC, Benjamin Bihn Tran, Control Person	Consulting	Restricted	
3/1/21	New Issuance	200,000	Common	\$0.35	Yes	Brian Ballman	Stock Purchase	Restricted	
3/15/21	New Issuance	100,000	Common	\$0.35	No	Philip Wyatt	Stock Purchase	Restricted	
3/18/21	New Issuance	71,429	Common	\$0.35	Yes	Gary A. Gunnell and Rosemarie Gunnell	Stock Purchase	Restricted	
3/29/21	New Issuance	142,857	Common	\$0.35	Yes	Jason Dial	Stock Purchase	Restricted	
3/31/21	New Issuance	142,857	Common	\$0.35	Yes	Chuck Truc Trong Le Trust, Chuck Truc Trong, Control Person	Stock Purchase	Restricted	
<b>Shares outstanding as of March 31, 2021</b> <b>Common: 62,682,024</b> <b>Preferred Series B: 142,250</b>									
4/5/21	New Issuance	142,857	Common	\$0.35	Yes	Michael Joseph Finfrock	Stock Purchase	Restricted	
4/5/21	New Issuance	100,000	Common	\$0.35	Yes	Steve Vay Hung Phu	Stock Purchase	Restricted	
4/5/21	New Issuance	71,429	Common	\$0.35	Yes	Jeff Phu	Stock Purchase	Restricted	
4/5/21	New Issuance	171,428	Common	\$0.35	Yes	Tom Le and Angela Davis	Stock Purchase	Restricted	
4/5/21	New Issuance	100,000	Common	\$0.35	Yes	Bernice Nguyen	Stock Purchase	Restricted	
4/5/21	New Issuance	31,429	Common	\$0.35	Yes	Phu, David	Stock Purchase	Restricted	
4/6/21	New Issuance	200,000	Common	\$0.35	Yes	Angela W. Lin	Stock Purchase	Restricted	
4/7/21	New Issuance	54,286	Common	\$0.35	Yes	Yvonne Le	Stock Purchase	Restricted	
4/12/21	New Issuance	142,857	Common	\$0.35	Yes	Marc Hoang	Stock Purchase	Restricted	
4/14/21	New Issuance	100,000	Common	\$0.50	Yes	Farnsworth Realty and Management Company, Joe Farnsworth, Control Person, Current Director	Stock Purchase	Restricted	
4/14/21	New Issuance	1,071,429	Common	\$0.35	Yes	John Lambert	Stock Purchase	Restricted	
4/15/21	New Issuance	100,000	Common	\$0.50	Yes	Joe Farnsworth Jr.	Stock Purchase	Restricted	
4/21/21	New Issuance	281,634	Common	\$0.35	Yes	Per Magnus Andersson, PM Andersson, Control Person	Series B Conversion	Unrestricted	
4/23/21	New Issuance	66,667	Common	\$0.75	Yes	Thanh Nguyen	Stock Purchase	Restricted	
5/5/21	New Issuance	50,000	Common	\$0.36	Yes	William Ford, Jr.	Stock Warrant Purchase	Restricted	
5/25/21	New Issuance	426,036	Common	\$0.50	Yes	Chen Ho Kuo (Alex Kuo)	Stock Purchase	Restricted	
6/23/21	New Issuance	100,000	Common	\$0.50	Yes	John Lambert	Stock Purchase	Restricted	
6/30/21	New Issuance	795,278	Common	\$0.35	Yes	John Lambert	Debenture Conversion	Restricted	
6/30/21	New Issuance	210,744	Common	\$0.35	Yes	Philip Wyatt	Debenture Conversion	Restricted	
6/30/21	New Issuance	1,284,911	Common	\$0.35	Yes	JMR Capital Limited.	Series B Conversion	Unrestricted	
6/30/21	New Issuance	1,284,911	Common	\$0.35	Yes	FLMM Ltd	Series B Conversion	Unrestricted	
6/30/21	New Issuance	190,357	Common	\$0.35	Yes	Donald R. Kendall, Jr.	Series B Conversion	Unrestricted	
6/30/21	New Issuance	190,357	Common	\$0.35	Yes	Diane S. Kendall	Series B Conversion	Unrestricted	
6/30/21	New Issuance	190,357	Common	\$0.35	Yes	Roger D. Jarrett & Denise L. Jarrett.	Series B Conversion	Unrestricted	
6/30/21	New Issuance	190,357	Common	\$0.35	Yes	David S. Hungerford	Series B Conversion	Unrestricted	
6/30/21	New Issuance	190,357	Common	\$0.35	Yes	Scott F. Alexander	Series B Conversion	Unrestricted	
6/30/21	New Issuance	713,839	Common	\$0.35	Yes	Rodolfo V. Puno	Series B Conversion	Unrestricted	
6/30/21	New Issuance	713,839	Common	\$0.35	Yes	Lino A. Barte	Series B Conversion	Unrestricted	
6/30/21	New Issuance	190,357	Common	\$0.35	Yes	David S. Hungerford	Series B Conversion	Unrestricted	

Shares outstanding as of June 30, 2021 Common: 65,451,753									
Preferred Series B: 4.75									
7/29/21	New Issuance	135,714	Common	\$0.35	Yes	Wolverine Flagship Trust Trading Limited	Series B Conversion	Unrestricted	
7/30/21	New Issuance	104,658	Common	\$0.35	Yes	Philip Wyatt	Debenture Conversion	Restricted	
Shares outstanding as of the date of this Filing Common: 72,232,864									
Preferred Series B: 0									

<sup>3</sup> To be included in the Pink Current Information tier, the transfer agent must be registered under the Exchange Act.

## B. Debt Securities, Including Promissory and Convertible Notes

Use the chart and additional space below to list and describe all outstanding promissory notes, convertible notes, convertible debentures, or any other debt instruments that may be converted into a class of the issuer's equity securities.

Check this box if there are no outstanding promissory, convertible notes or debt arrangements:

Date of Note Issuance	Outstanding Balance (\$)	Principal Amount at Issuance (\$)	Interest Accrued	Maturity Date	Conversion Terms (e.g. pricing mechanism for determining conversion of instrument to shares)	Name of Noteholder	Reason for Issuance
1/14/21	\$50,000	\$50,000	\$2,288	1/14/22	Convertible to common shares @ \$.35. 10%/year interest	Rick Whitehead	Loan
1/14/21	\$50,000	\$50,000	\$2,288	1/14/22	Convertible to common shares @ \$.35. 10%/year interest	Joe Newton	Loan
9/3/20	\$25,000	\$25,000	\$2,066	9/3/21	Convertible to common shares @ \$.35. 10%/year interest	Robert Knauf	Loan
8/31/20	\$50,000	\$50,000	\$4,171	8/31/21	Convertible to common shares @ \$.35. 10%/year interest	Rick Whitehead	Loan
8/31/20	\$50,000	\$50,000	\$4,171	8/31/21	Convertible to common shares @ \$.35. 10%/year interest	Joe Newton	Loan
1/2/20	\$50,000	\$50,000	\$7,486	1/2/20	Convertible to common shares @ \$.35. 10%/year interest	Sarah Lambert	Loan
12/12/19	\$30,000	\$30,000	\$4,656	12/12/20	Convertible to common shares @ \$.35. 10%/year interest	Russ Riggs	Loan
12/12/19	\$10,000	\$10,000	\$1,552	12/12/20	Convertible to common shares @ \$.35. 10%/year interest	Alberto Scalia	Loan
12/9/19	\$10,000	\$10,000	\$1,560	12/9/20	Convertible to common shares @ \$.35. 10%/year interest	Joe D. Hatch	Loan
11/4/19	\$35,000	\$35,000	\$5,797	11/4/20	Convertible to common shares @ \$.35. 10%/year interest	David Thaler	Loan
10/29/19	\$20,000	\$20,000	\$3,345	10/29/20	Convertible to common shares @ \$.35. 10%/year interest	Philip Lovell Roth IRA	Loan
10/18/19	\$25,000	\$25,000	\$4,257	10/18/20	Convertible to common shares @ \$.35. 10%/year interest	Shill Family Trust	Loan
10/15/19	\$25,000	\$25,000	\$4,277	10/15/20	Convertible to common shares @ \$.35. 10%/year interest	Thomas Farnsworth	Loan
10/7/19	\$5,000	\$5,000	\$866	10/10/20	Convertible to common shares @ \$.35. 10%/year interest	Fred Lyons	Loan
8/2/19	\$50,000	\$50,000	\$9,568	8/2/20	Convertible to common shares @ \$.35. 10%/year interest	John Lambert II	Loan
8/28/14	\$200,000	\$200,000	\$120,611	12/31/16	Convertible to common shares. 9.5%/year interest	Gregory Omi	Loan
11/19/12	\$100,000	\$100,000	\$81,205	12/31/16	Convertible to common shares. 10%/year interest	Squirrel-Away, Robert Gillen, Current Director of IVDA	Loan

## Financial Statements

A. The following financial statements were prepared in accordance with:

- U.S. GAAP  
 IFRS

B. The financial statements for this reporting period were prepared by (name of individual)<sup>4</sup>:

Name: **Robert Brilon**  
Title: CFO  
Relationship to Issuer: CFO

Provide the financial statements described below for the most recent fiscal year or quarter.

- C. Balance Sheet;  
D. Statement of income;  
E. Statement of Shareholders' Equity  
F. Statement of cash flows;  
G. Financial notes; and  
H. Audit letter (not applicable)

Attached to this disclosure statement is the Unaudited Consolidated Financial Statements for the 6 months ended June 30, 2021 (see Pages 13-31).

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<sup>4</sup> The financial statements requested pursuant to this item must be prepared in accordance with US GAAP or IFRS by persons with sufficient financial skills.

#### 4) Issuer's Business, Products and Services

The purpose of this section is to provide a clear description of the issuer's current operations. In answering this item, please include the following:

**A. Summarize the issuer's business operations (If the issuer does not have current operations, state "no operations")**

Iveda has been offering real-time IP video surveillance technologies to our customers since 2005. While we still offer video surveillance technologies, our core product line has evolved to include AI intelligent search technology that provide true intelligence to any video surveillance system and IoT (Internet of Things) devices and platforms. Our evolution is in response to digital transformation demands from many cities and organizations across the globe. Our IvedaAI intelligent video search technology adds critical intelligence to normally passive video surveillance systems. IvedaAI provides AI functions to any IP camera and most popular network video recorders (NVR) and video management systems (VMS). IvedaAI comes with an appliance or server, preconfigured with multiple AI functions based on the end user requirements.

Historically, Iveda sold and installed video surveillance equipment, primarily for security purposes and secondarily for operational efficiencies and marketing. We also provided video hosting, in-vehicle streaming video, archiving, and real-time remote surveillance services to a variety of businesses and organizations. We now have the capability to provide IP cameras and NVRs based on customer specifications and will continue to utilize ONVIF (Open Network Video Interface Forum) cameras which is a global standard for the interface of IP-based physical security products.

In 2014, we changed our revenue model from direct project-based sales to licensing our platform and selling IoT hardware to service providers such as telecommunications companies, integrators and other technology resellers already providing services to an existing customer base. Partnering with service providers that have an existing loyal subscriber base allows us to focus on servicing just a handful of our partners and concentrating on our technology offering. Service providers leverage their end-user infrastructure to sell, bill, and provide customer service for Iveda's product offering. This business model provides dual revenue streams – one from hardware sales and the other from monthly licensing fees.

Headquartered in Mesa, Arizona with a subsidiary in Taiwan, we offer our products and services to service providers worldwide. We have customers in the U.S., South Africa, and Asia. Iveda's website is: [www.iveda.com](http://www.iveda.com).

**B. Describe any subsidiaries, parents, or affiliated companies, if applicable, and a description of their business contact information for the business, officers, directors, managers or control persons. Subsidiary information may be included by reference**

In April 30, 2011, we completed our acquisition of Sole Vision Technologies, doing business as MEGAsys®, a company based in Taiwan. We consolidate our financial statements with the financial statements of MEGAsys. All intercompany balances and transactions are eliminated in consolidation.

MEGAsys specializes in deploying new, and integrating existing, video surveillance systems for airports, commercial buildings, government, data centers, shopping centers, hotels, and banks. MEGAsys combines security surveillance products, software, and services to provide integrated security solutions to the end user. Through MEGAsys, we have access not only to Asian markets but also to Asian manufacturers and engineering expertise. MEGAsys is our research and development arm, working with a team of developers in Taiwan.

Ing-Hang Shiau co-founded MEGAsys in 1991. Their headquarter is located in Sanchong City, Taipei County, Taiwan. MEGAsys website is <http://tdi-megasys.com/>.

## **C. Describe the issuers' principal products or services, and their markets**

Iveda's products and services are offered through our service provider partners such as telecoms, technology providers, and security integrators, in many industries. Iveda has been actively working with our partners in the following industry segments: healthcare, cruise lines, hospitals, retail stores, RV manufacturing, and municipalities. End user applications include safety, security, public health monitoring, asset tracking, intelligent building management, energy efficiency, environment preservation, and smart city.

In the last few years, smart city has been a hot topic among cities across the globe. With little to no human interaction, technology increases efficiency, expedites decision making, and reduces response time. Dwindling public safety budgets and resources has necessitated the transformation. More and more municipalities are using next-generation technologies to improve the safety and security of its citizens. Our response is our complete suite of IoT technologies, including AI intelligent video search technology, smart sensors, tracking devices, video surveillance systems, and smart power.

### **IvedaAI**

IvedaAI consists of deep-learning video analytics software running in a computer/server environment that can either be deployed at an edge level or data center for centralized cloud model. We combined hardware and artificial intelligence software for fast and efficient video search for objects stored in an external (NVR) or storage device and live streaming video data from any IP camera.

#### AI Functions

- Object Search
- Face Search (No Database Required)
- Face Recognition (from a Database)
- License Plate Recognition (100+ Countries), includes make and model
- Intrusion Detection
- Weapon Detection
- Fire Detection
- People Counting
- Vehicle Counting
- Objects Left Behind
- Health Analytics (Mask, Social Distancing and Temperature Detection)
- Public Health Analytics (Facemask Detection,
- QR and Barcode Detection

#### Key Features

- Live Camera View
- Live Tracking
- Abnormality Detection – Vehicle/Person wrong direction detection
- Vehicle/Person Loitering Detection
- Fall Detection
- Illegal Parking Detection
- Heatmap Generation

### **IvedaPinpoint/Smarthome**

Iveda offers many IoT sensors and devices for various applications such as energy management, smart home, smart building, smart community, and patient/elder care. Our gateway and station serve as the main hub for sensors and devices in any given area. They are equipped with high-level communication protocols such as Zigbee, WiFi, Bluetooth, and USB. They connect to the Internet via Ethernet or cellular data network. We provide IoT platforms that enable centralized device management and push digital services on a massive scale. Our smart devices include water sensor, environment sensor, entry sensor, smart plug, siren, body temperature pad, care watch and tracking devices.

### **Cerebro Smart IoT Platform**

Iveda also offers smart power technology for office buildings, schools, shopping centers, hotels, hospitals, and smart city projects. This line of product includes smart power, water meter, smart lighting controls systems, and smart payment system. Iveda's Cerebro manages all the components of our smart power technology including statistics on energy consumption. Cerebro is a software platform designed to integrate multiple unconnected energy, security and safety applications and devices and control them through one comprehensive user interface.

Cerebro's roadmap includes dashboard for all of Iveda's platforms for central management of all devices. Cerebro is system agnostic and supports cross-platform interoperability. The common unified user interface allows remote control of platforms, sensors and subsystems throughout an entire environment. This integration and unification of all subsystems enable acquisition and analysis of all information on one central command center, allowing comprehensive, effective, and overall management and protection of a city.

## **Sentir Video**

Iveda's core business started with cloud video surveillance products offering cloud hosting and real-time remote video surveillance services. Today, we no longer provide video hosting and remote surveillance services, but we continue to offer IP cameras and NVRs (Network Video Recorder). Sentir Video is Iveda's video surveillance solution for all kinds of applications. Serving our customers over the past seventeen years has allowed us to validate the best in video surveillance technologies and methodologies, including IP network cameras, NVRs, wireless systems, and other components necessary to deploy a scalable, efficient, and effective video surveillance system. Iveda designs, builds, and delivers highly secure turnkey video surveillance systems featuring our ZEE IP Cameras and Sentir NVRs.

## **5) Issuer's Facilities**

The goal of this section is to provide a potential investor with a clear understanding of all assets, properties or facilities owned, used or leased by the issuer.

In responding to this item, please clearly describe the assets, properties or facilities of the issuer, give the location of the principal plants and other property of the issuer and describe the condition of the properties. If the issuer does not have complete ownership or control of the property (for example, if others also own the property or if there is a mortgage on the property), describe the limitations on the ownership.

If the issuer leases any assets, properties or facilities, clearly describe them as above and the terms of their leases.

The Company presently primarily operates from its offices located at 460 S. Greenfield Road, Mesa, AZ 85206 on a month-to-month lease of \$2,250 rent. MEGAsys' principal offices is located at 2F-15, No. 14, Lane 609, Sec. 5, Chongxin Road, Sanchong City, Taipei County 241. The current lease will expire on June 30, 2021. Both office buildings have plenty of space for expansion for additional office and production space for future growth.

## **6) Officers, Directors, and Control Persons**

**The goal of this section is to provide an investor with a clear understanding of the identity of all the persons or entities that are involved in managing, controlling or advising the operations, business development and disclosure of the issuer, as well as the identity of any significant or beneficial shareholders.**

Using the tabular format below, please provide information regarding any person or entity owning 5% of more of the issuer, as well as any officer, and any director of the company, regardless of the number of shares they own. **If any listed are corporate shareholders or entities, provide the name and address of the person(s) beneficially owning or controlling such corporate shareholders, or the name and contact information of an individual representing the corporation or entity in the note section.**

**Direct ownership by Corporate Directors, Officers and Persons owning more than 5% of any class of stock outstanding of Iveda Solutions, Inc. at June 30, 2021:**

Name of Officer/Director or Control Person	Affiliation with Company (e.g. Officer Title /Director/Owner of more than 5%)	Residential Address(City / State Only)	Number of shares owned	Share type/class	Ownership Percentage of Class Outstanding	Note
<u>David H. Ly</u>	<u>CEO and Chairman</u>	Chandler, AZ	<u>3,905,181</u>	<u>Common shares</u>	<u>5.42%</u>	
<u>Sid Sung</u>	<u>President</u>	San Jose, CA	<u>0</u>	<u>Common Shares</u>	-	
<u>Robert J. Brilon</u>	<u>CFO</u>	<u>Scottsdale, AZ</u>	<u>793,988</u>	<u>Common shares</u>	<u>1.10%</u>	
<u>Luz Berg</u>	<u>General Manager &amp; CMO</u>	<u>Mesa, AZ</u>	<u>1,242,183</u>	<u>Common shares</u>	<u>1.73%</u>	
<u>Joseph Farnsworth</u>	<u>Director</u>	Mesa, AZ	<u>718,962</u>	<u>Common Shares</u>	<u>1.22%</u>	
<u>Robert Gillen</u>	<u>Director</u>	<u>Sedona, AZ</u>	<u>1,301,140</u>	<u>Common Shares</u>	<u>1.81%</u>	
<u>Alejandro Franco</u>	<u>Director</u>	Mexico City, Mexico	<u>250,000</u>	<u>Common Shares</u>	<u>0.35%</u>	
<u>Benjamin Binh Tran</u>	<u>Consultant</u>	Newport Coast, CA	<u>5,000,000</u>	<u>Common Shares</u>	<u>6.95%</u>	

At June 30, 2021, we had a total of **71,992,492** shares of common stock outstanding and **4,75** shares of our Series B Convertible Preferred Stock ("Series B") outstanding. Each share of Series B Preferred Stock is presently convertible into one share of common stock and is not affected by any forward or reverse stock splits.

Assuming that all Series B Preferred stock was to be converted into **47,500** shares of common stock, the Company would have a total of **72,039,992** shares of common stock issued and outstanding at June 30 ,2021.

## 7) Legal/Disciplinary History

A. Please identify whether any of the persons listed above have, in the past 10 years, been the subject of:

1. A conviction in a criminal proceeding or named as a defendant in a pending criminal proceeding (excluding traffic violations and other minor offenses);

**None**

2. The entry of an order, judgment, or decree, not subsequently reversed, suspended or vacated, by a court of competent jurisdiction that permanently or temporarily enjoined, barred, suspended or otherwise limited such person's involvement in any type of business, securities, commodities, or banking activities;

**None**

3. A finding or judgment by a court of competent jurisdiction (in a civil action), the Securities and Exchange Commission, the Commodity Futures Trading Commission, or a state securities regulator of a violation of federal or state securities or commodities law, which finding or judgment has not been reversed, suspended, or vacated; or

**None**

4. The entry of an order by a self-regulatory organization that permanently or temporarily barred, suspended, or otherwise limited such person's involvement in any type of business or securities activities.

**None**

B. Describe briefly any material pending legal proceedings:

**None**

**8) Third Party Providers**

Please provide the name, address, telephone number and email address of each of the following outside providers:

Securities Counsel

Name: **Peter Campitiello  
McCarter & English  
Two Tower Center Boulevard, 24th Floor | East Brunswick, NJ 08816  
Tel: (732) 867-9741**

Accountant or Auditor

Name: **None**

Investor Relations Consultant

Name:

Other Service Providers

Name: **None**

**9) Issuer Certification**

***Principal Executive Officer:***

The issuer shall include certifications by the chief executive officer and chief financial officer of the issuer (or any other persons with different titles but having the same responsibilities).

The certifications shall follow the format below:

I, David Ly, Chief Executive Officer, certify that:

1. I have reviewed this Quarterly Disclosure Statement of Iveda Solutions, Inc., for the 6 months ended June 30, 2021
2. Based on my knowledge, this disclosure statement 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 disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

August 15, 2021

/s/ David H. Ly

***Principal Financial Officer:***

I, Robert J Brilon, Chief Financial Officer certify that:

1. I have reviewed this Quarterly Disclosure Statement of Iveda Solutions, Inc., for the 6 months ended June 30, 2021;
2. Based on my knowledge, this disclosure statement 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 disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

August 15, 2021

/s/ Robert J. Brilon

**IVEDA SOLUTIONS, INC.**

**CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE SIX MONTHS ENDED JUNE 30, 2021 AND 2020**

**(UNAUDITED)**

**IVEDA SOLUTIONS, INC.**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
**JUNE 30, 2021 AND DECEMBER 31, 2020**

	June 30, 2021	December 31, 2020
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 1,188,867	\$ 249,521
Restricted Cash	331,866	165,145
Accounts Receivable, Net	224,808	226,614
Inventory, Net	259,294	221,868
Other Current Assets	396,366	122,101
Total Current Assets	2,401,201	985,249
<b>PROPERTY AND EQUIPMENT, NET</b>	64,986	22,027
<b>OTHER ASSETS</b>		
Intangible Assets, Net	-	6,666
Other Assets	672,141	231,624
Total Other Assets	672,141	238,290
Total Assets	\$ 3,138,328	\$ 1,245,566
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Accounts and Other Payables	\$ 3,427,346	\$ 3,122,190
Due to Related Parties	300,000	512,711
Short Term Debt	1,037,688	899,988
Current Portion of Long-Term Debt	-	-
Total Current Liabilities	4,765,034	4,534,889
<b>LONG-TERM DIVIDENDS PAYABLE</b>	-	415,625
<b>STOCKHOLDERS' EQUITY</b>		
Preferred Stock, \$0.00001 par value; 100,000,000 shares authorized		
Series B Preferred Stock, \$0.00001 par value; 500 shares authorized, 4.75 and 257.2 shares issued and outstanding as of June 30, 2021 and December 31, 2020, respectively	-	-
Common Stock, \$0.00001 par value; 100,000,000 shares authorized; 71,992,492 and 52,671,395 shares issued and outstanding as of June 30, 2021 and December 31, 2020, respectively	720	527
Additional Paid-In Capital	37,218,689	34,134,042
Accumulated Comprehensive Loss	(136,348)	(153,254)
Accumulated Deficit	(38,709,768)	(37,686,263)
Total Stockholders' Equity (Deficit)	(1,626,706)	(3,704,948)
Total Liabilities and Stockholders' Equity	\$ 3,138,328	\$ 1,245,566

*See accompanying Notes to Condensed Consolidated Financial Statements.*

**IVEDA SOLUTIONS, INC.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
**FOR SIX MONTHS ENDED JUNE 30, 2021 AND 2020**

	For the Three Months ended June 30, 2021	For the Three Months ended June 30, 2020	For the Six Months ended June 30, 2021	For the Six Months ended June 30, 2020
<b>REVENUE</b>				
Equipment Sales	\$ 475,000	\$ 302,924	\$ 779,105	\$ 763,290
Service Revenue	84,682	81,436	112,980	162,907
Other Revenue	1,011	8,434	1,188	16,194
<b>TOTAL REVENUE</b>	<u>560,692</u>	<u>392,794</u>	<u>893,272</u>	<u>942,391</u>
<b>COST OF REVENUE</b>	<u>427,457</u>	<u>284,342</u>	<u>645,008</u>	<u>677,327</u>
<b>GROSS PROFIT</b>	133,235	108,452	248,264	265,064
<b>OPERATING EXPENSES</b>				
General & Administrative	<u>687,657</u>	<u>434,402</u>	<u>1,149,513</u>	<u>917,639</u>
Total Operating Expenses	687,657	434,402	1,149,513	917,639
<b>LOSS FROM OPERATIONS</b>	(554,422)	(325,951)	(901,248)	(652,575)
<b>OTHER INCOME (EXPENSE)</b>				
Miscellaneous Income (Expense)	(68)	6,071	(68)	12,141
Interest Income	97	229	135	457
Interest Expense	(42,558)	(32,602)	(82,023)	(65,210)
Total Other Income (Expense)	<u>(42,529)</u>	<u>(26,303)</u>	<u>(81,956)</u>	<u>(52,612)</u>
<b>LOSS BEFORE INCOME TAXES</b>	(596,951)	(352,254)	(983,205)	(705,187)
<b>BENEFIT (PROVISION) FOR INCOME TAXES</b>	-	-	-	-
<b>NET LOSS</b>	<u>\$ (596,951)</u>	<u>\$ (352,254)</u>	<u>\$ (983,205)</u>	<u>\$ (705,187)</u>
<b>BASIC AND DILUTED LOSS PER SHARE</b>	<u>\$ (0.01)</u>	<u>\$ (0.01)</u>	<u>\$ (0.02)</u>	<u>\$ (0.01)</u>
<b>WEIGHTED AVERAGE SHARES</b>	67,337,258	51,401,395	57,575,709	51,401,395

**IVEDA SOLUTIONS, INC.**  
**CONSOLIDATED STATEMENTS OF SHAREHOLDERS EQUITY**

	Common Shares	C/S Amount	Preferred Shares	P/S Amount	Additional Paid-in-Capital	Accumulated Deficit	Accumulated other Comprehensive Income (loss)	Total Stockholder's Equity (Deficit)
<b>BALANCE AT December 31, 2018</b>	<b>50,076,885</b>	<b>501</b>	<b>277</b>	<b>0</b>	<b>33,500,170</b>	<b>(34,745,144)</b>	<b>(287,891)</b>	<b>(1,532,364)</b>
Common Stock Issued for Cash			-	-		-	-	-
Costs of Capital			-	-		-	-	-
Stock Based Compensation	-	-	-	-	50,000	-	-	50,000
Non-cash Compensation			-	-		-	-	-
Preferred Stock - Series A	-			-	-	-	-	-
Preferred Stock - Series B	1,142,856	11	(40)		(11)	-	-	-
Preferred Stock - Series B for Dividend			10	-	102,720	-	-	102,720
Dividends - P/S Series A			-	-		(232,274)	-	(232,274)
Dividends - P/S Series B			-	-		-	-	-
Conversion of Debt to stock	181,654	2	-	-	63,577	-	-	63,579
Exercise of options and warrants			-	-		-	-	-
Payment on Stockholder Prom Note	-	-	-	-	-	-	-	-
Net Loss	-	-	-	-	-	(914,106)	-	(914,106)
Comprehensive Loss	-	-	-	-	-	-	-	-
Total Comprehensive Loss								-
<b>BALANCE AT December 31, 2019</b>	<b>51,401,395</b>	<b>514</b>	<b>247</b>	<b>-</b>	<b>33,716,456</b>	<b>(35,891,524)</b>	<b>(287,891)</b>	<b>(2,462,445)</b>
Common Stock Issued for Cash			-	-		-	-	-
Costs of Capital			-	-		-	-	-
Stock Based Compensation	-	-	-	-	120,000	-	-	120,000
Non-cash Compensation			-	-		-	-	-
Preferred Stock - Series A	-			-	-	-	-	-
Preferred Stock - Series B				-		-	-	-
Preferred Stock - Series B for Dividend			10		95,000	-	-	95,000
Dividends - P/S Series A			-	-		(206,626)	-	(206,626)
Dividends - P/S Series B			-	-		-	-	-
Conversion of Debt to stock			-	-		-	-	-
Exercise of options and warrants	1,270,000	13	-	-	202,587	-	-	202,600
Payment on Stockholder Prom Note	-	-	-	-	-	-	-	-
Net Loss	-	-	-	-	-	(1,195,612)	-	(1,195,612)
Comprehensive Loss	-	-	-	-	-	-	-	-
Total Comprehensive Loss								-
<b>BALANCE AT December 31, 2020</b>	<b>52,671,395</b>	<b>527</b>	<b>257</b>	<b>-</b>	<b>34,134,043</b>	<b>(37,293,762)</b>	<b>(287,891)</b>	<b>(3,447,083)</b>

*See accompanying Notes to Condensed Consolidation Financial Statements*

**IVEDA SOLUTIONS, INC. CONSOLIDATED**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE SIX MONTHS ENDING JUNE 30, 2021**

	<b>2021</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Net Loss	(983,205)
Adjustments to Reconcile Net Loss to Net Cash Used by Operating Activities	
Depreciation and Amortization	9,666
Amortization of Deferred Financing Costs	-
Stock Option Compensation	-
Bad Debt Expense	-
Loss on Disposal of Assets	-
Common Stock Warrants Issued for Services	-
Common Stock Warrants Issued for Interest	-
(Increase) Decrease in Operating Assets	
Accounts Receivable	1,806
Inventory	(37,426)
Other Current Assets	(274,265)
Other Assets	60,476
Increase (Decrease) in Accounts and Other Payables	485,328
Net Cash Used in Operating Activities	(737,620)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Purchase of Property and Equipment	(45,959)
Proceeds from Sale of Equipment	-
Net Cash Provided by (Used in) Investing Activities	(45,959)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Changes in Restricted Cash	(166,721)
Proceeds from (Payments on) Short-Term Notes Payable/Debt	447,450
Proceeds from Exercise of Stock Options	-
Proceeds from (Payments to) Due to Related Parties	(82,711)
Proceeds from (Payments on) Long-Term Debt, Net of Payments	-
Payments on Capital Lease Obligations	-
Payments on Dividends	-
Deferred Finance Costs, Net	-
Common Stock Issued, Net of (Cost of Capital)	1,508,000
Net Cash Provided by Financing Activities	1,706,018
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH</b>	16,906
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	939,346
Cash and Cash Equivalents- Beginning of Period	249,521
<b>CASH AND CASH EQUIVALENTS - END OF PERIOD</b>	<b>1,188,867</b>

*See accompanying Notes to Condensed Consolidation Financial Statements*

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**IVEDA SOLUTIONS, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS - CONTINUED**  
**FOR THE SIX MONTH PERIOD ENDING JUNE 30, 2021**

	<u>JUNE 30, 2021</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>	
Interest Paid	\$ -
Income Tax Paid	\$ -
<b>SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES</b>	
Debenture Principal converted to Common Stock	\$ 439,750
Debenture Accrued Interest converted to Common Stock	\$ 125,376
Rent Accounts Payable to related Party converted to Common Stock	\$ 55,789
Common Stock issued for Consulting Agreements related to future Financing	\$ 500,000
Accrued Dividends converted to Common Stock	\$ 455,926

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**IVEDA SOLUTIONS, INC.**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 1            SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Operations**

Iveda has been offering real-time IP video surveillance technologies to our customers since 2005. While we still offer video surveillance technologies, our core product line has evolved to include AI intelligent search technology that provide true intelligence to any video surveillance system and IoT (Internet of Things) devices and platforms. Our evolution is in response to digital transformation demands from many cities and organizations across the globe. Our IvedaAI intelligent video search technology adds critical intelligence to normally passive video surveillance systems. IvedaAI provides AI functions to any IP camera and most popular network video recorders (NVR) and video management systems (VMS). IvedaAI comes with an appliance or server, preconfigured with multiple AI functions based on the end user requirements.

AI Functions

- Object Search
- Face Search (No Database Required)
- Face Recognition (from a Database)
- License Plate Recognition (100+ Countries), includes make and model
- Intrusion Detection
- Weapon Detection
- Fire Detection
- People Counting
- Vehicle Counting
- Temperature Detection
- Public Health Analytics (Facemask Detection,
- QR and Barcode Detection

Key Features

- Live Camera View
- Live Tracking
- Abnormality Detection – Vehicle/Person wrong direction detection
- Vehicle/Person Loitering Detection
- Fall Detection
- Illegal Parking Detection
- Heatmap Generation

IvedaAI consists of deep-learning video analytics software running in a computer/server environment that can either be deployed at an edge level or data center for centralized cloud model. We combined hardware and artificial intelligence software for fast and efficient video search for objects stored in an external (NVR) or storage device and live streaming video data from any IP camera.

IvedaAI works with any ONVIF-compliant IP cameras and most popular NVR/VMS (Video Management System) platforms, enabling accurate search across dozens to thousands of cameras in less than 1 second. IvedaAI products are designed to maximize efficiency, save time, and cut cost. Instead of watching hours of video recording after-the-fact, users can set up alerts.

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Iveda offers many IoT sensors and devices for various applications such as energy management, smart home, smart building, smart community and patient/elder care. Our gateway and station serve as the main hub for sensors and devices in any given area. They are equipped with high-level communication protocols such as Zigbee, WiFi, Bluetooth, and USB. They connect to the Internet via Ethernet or cellular data network. We provide IoT platforms that enable centralized device management and push digital services on a massive scale. Our smart devices include water sensor, environment sensor, entry sensor, smart plug, siren, body temperature pad, care watch and tracking devices.

We also offer smart power technology for office buildings, schools, shopping centers, hotels, hospitals, and smart city projects. Our smart power hardware is equipped with an RS485 communication interface allowing the meters to be connected to various third-party SCADA software for monitoring and control purposes. This line of product includes smart power, water meter, smart lighting controls systems, and smart payment system.

Iveda's Cerebro manages all the components of our smart power technology including statistics on energy consumption. Cerebro is a software platform designed to integrate multiple unconnected energy, security and safety applications and devices and control them through one comprehensive user interface.

Cerebro's roadmap includes dashboard for all of Iveda's platforms for central management of all devices. Cerebro is system agnostic and will support cross-platform interoperability. The common unified user interface will allow remote control of platforms, sensors and subsystems throughout an entire environment. This integration and unification of all subsystems enable acquisition and analysis of all information on one central command center, allowing comprehensive, effective, and overall management and protection of a city.

In the last few years, smart city has been a hot topic among cities across the globe. With little to no human interaction, technology increases efficiency, expedites decision making, and reduces response time. Dwindling public safety budgets and resources has necessitated the transformation. More and more municipalities are using next-generation technologies to improve the safety and security of its citizens. Our response is our complete suite of IoT technologies, including AI intelligent video search technology, smart sensors, tracking devices, video surveillance systems, and smart power. Historically, we sold and installed video surveillance equipment, primarily for security purposes and secondarily for operational efficiencies and marketing. We also provided video hosting, in-vehicle streaming video, archiving, and real-time remote surveillance services to a variety of businesses and organizations. While we only used off-the shelf camera systems from well-known camera brands, we now source our own cameras using manufacturers in Taiwan in order for us to be more flexible in fulfilling our customer needs. We now have the capability to provide IP cameras and NVRs based on customer specifications. We still utilize ONVIF (Open Network Video Interface Forum) cameras which is a global standard for the interface of IP-based physical security products.

In 2014, we changed our revenue model from direct project-based sales to licensing our platform and selling IoT hardware to service providers such as telecommunications companies, integrators and other technology resellers already providing services to an existing customer base. Partnering with service providers that have an existing loyal subscriber base allows us to focus on servicing just a handful of our partners and concentrating on our technology offering. Service providers leverage their end-user infrastructure to sell, bill, and provide customer service for Iveda's product offering. This business model provides dual revenue streams – one from hardware sales and the other from monthly licensing fees.

MEGAsys®, our subsidiary in Taiwan, specializes in deploying new, and integrating existing, video surveillance systems for airports, commercial buildings, government customers, data centers, shopping centers, hotels, banks, and Safe City. MEGAsys combines security surveillance products, software, and services to provide integrated security solutions to the end user. Through MEGAsys, we have access not only to Asian markets but also to Asian manufacturers and engineering expertise. MEGAsys is our research and development arm, working with a team of developers in Taiwan.

In April 2009, the Department of Homeland Security ("DHS") approve us as a Qualified Anti-Terrorism Technology provider under a formal SAFETY Act Designation. The designation gives us, our partners, and our customers certain liability protection. We became the first company to offer real-time Internet Protocol ("IP") video hosting and remote surveillance services with a SAFETY Act Designation. Our SAFETY Act Designation was renewed in October 2019. In January 2016, after thoroughly reviewing the analysis of the DHS Office of SAFETY Act, the Deputy Under Secretary of Science and Technology has determined that our technology satisfies the criteria set forth in Section 442(d)(s) of the SAFETY Act and in Section 25.8(a) of the Regulations and officially issued a Certification. A Certificate of Conformance of Technology was issued and our video surveillance products and services were placed on "Approved Products List for Homeland Security." We are in the process of renewing our Certification with the DHS.

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## **Consolidation**

Effective April 30, 2011, we completed our acquisition of Sole Vision Technologies (dba MEGAsys), a company based in Taiwan. We consolidate our financial statements with the financial statements of MEGAsys. All intercompany balances and transactions have been eliminated in consolidation.

## **Going Concern**

The accompanying consolidated financial statements have been prepared assuming that we will continue as a going concern, which contemplates the realization of assets and the liquidation of liabilities in the normal course of business. We generated accumulated losses of approximately \$33 million from January 2005 through December 31, 2020 and have insufficient working capital and cash flows to support operations. These factors raise substantial doubt about our ability to continue as a going concern. The consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might result from this uncertainty.

## **Impairment of Long-Lived Assets**

We have a significant amount of property and equipment, consisting primarily of leased equipment. We review the recoverability of the carrying value of long-lived assets using the methodology prescribed in ASC 360 "Property, Plant and Equipment." We review our long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable. Recoverability of long-lived assets to be held and used is measured by a comparison of the carrying amount of an asset to the undiscounted future net operating cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured as the amount by which the carrying value of the assets exceeds their fair value. We did not make any impairment for the six months ended June 30, 2021 or the years ended December 31, 2020 and 2019.

## **Basis of Accounting**

Our consolidated financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

## **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires us to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates.

## **Revenue and Expense Recognition**

We recognize revenue in accordance with ASC 605, "Revenue Recognition." We recognize revenue when (1) persuasive evidence of an arrangement exists, (2) title transfer has occurred, (3) the price is fixed or readily determinable, and (4) collectability is reasonably assured. Sales are recorded net of sales returns and discounts, which are estimated at the time of shipment based upon historical data.

Revenues from services are recognized when the services are provided. Expenses are recognized as incurred.

Revenues from fixed-price equipment installation contracts are recognized on the percentage-of-completion method. The percentage completed is measured by the percentage of costs incurred to date to estimated total costs for each contract. This method is used because management considers expended costs to be the best available measure of progress on these contracts. Because of inherent uncertainties in estimating costs and revenues, it is at least reasonably possible that the estimates used will change.

Contract costs include all direct material, subcontractors, labor costs, and equipment costs and those indirect costs related to contract performance. General and administrative costs are charged to expense as incurred. Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined. Changes in job performance, job conditions, and estimated profitability may result in revisions to costs and income and are recognized in the period in which the revisions are determined. Changes in estimated job profitability resulting from job performance, job conditions, contract penalty provisions, claims, change orders, and settlements are accounted for as changes in estimates in the current period. Profit incentives are included in revenues when their

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realization is reasonably assured. Claims are included in revenues when realization is probable and the amount can be reliably estimated.

### **Comprehensive Loss**

Comprehensive loss is defined to include all changes in equity except those resulting from investments by owners and distributions to owners. Among other disclosures, all items that are required to be recognized under current accounting standards as components of comprehensive income are required to be reported in a financial statement that is presented with the same prominence as other financial statements. Our current component of other comprehensive income is the foreign currency translation adjustment.

### **Concentrations**

Financial instruments, which potentially subject us to concentrations of credit risk, consist principally of cash and cash equivalents and trade accounts receivable.

Substantially all cash is deposited in two financial institutions, one in the United States and one in Taiwan. At times, amounts on deposit in the United States may be in excess of the FDIC insurance limit. Deposits in Taiwan financial institutions are insured by CDIC (Central Deposit Insurance Corporation) with maximum coverage of NTD 3 million. At times, amounts on deposit in Taiwan may be in excess of the CDIC Insurance limit.

Accounts receivable are unsecured, and we are at risk to the extent such amount becomes uncollectible. We perform periodic credit evaluations of our customers' financial condition and generally do not require collateral.

### **Cash and Cash Equivalents**

For purposes of the statement of cash flows, we consider all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

### **Accounts Receivable**

We provide an allowance for doubtful collections, which is based upon a review of outstanding receivables, historical collection information, and existing economic conditions. For our U.S.-based segment, receivables past due more than 120 days are considered delinquent. For our Taiwan-based segment, receivables over one year are considered delinquent. Delinquent receivables are written off based on individual credit valuation and specific circumstances of the customer. As of June 30, 2021 and December 31, 2020, respectively, an allowance for uncollectible accounts of \$0 and \$0 was deemed necessary for our U.S.-based segment.

### **Deposits – Current**

Our current deposits represent tender deposits placed with local governments and major customers in Taiwan during the bidding process for new proposed projects.

### **Other Current Assets**

Other current assets represent cash paid in advance to insurance companies and vendors for service coverage extending into subsequent periods.

### **Inventories**

We review our inventories for excess or obsolete products or components based on an analysis of historical usage and an evaluation of estimated future demand, market conditions, and alternative uses for possible excess or obsolete parts. The allowance for slow-moving and obsolete inventory is \$0 and \$0, as of June 30, 2021 and December 31, 2020, respectively.

### **Property and Equipment**

Property and equipment are stated at cost. Depreciation is computed primarily using the straight-line method over estimated useful lives of three to seven years. Expenditures for routine maintenance and repairs are charged to expense as incurred. Depreciation expense for the six months ended June 30, 2021 and the year ended December 31, 2020 was \$3,000 and \$5,803, respectively.

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### **Intangible Assets**

Intangible assets consist of trademarks and other intangible assets associated with the purchase price allocation of MEGAsys. Such assets are being amortized over their estimated useful lives of six months to ten years. Other intangible assets are fully amortized and at June 30, 2021 trademarks is also fully amortized. Current year amortization of trademarks was as follows:

2021	\$	6,666
2022		-
Total	\$	<u>6,666</u>

### **Deposits—Long-Term**

Long-term deposits consist of a deposit related to the leases of MEGAsys' office space, and tender deposits placed with local governments and major customers in Taiwan as part of the bidding process, which are anticipated to be held more than one year if the bid is accepted.

### **Income Taxes**

Deferred income taxes are recognized in the consolidated financial statements for the tax consequences in future years of differences between the tax bases of assets and liabilities and their financial reporting amounts based on enacted tax laws and statutory tax rates. Temporary differences arise from sales cut-off, depreciation, deferred rent expense, and net operating losses. Valuation allowances are established when necessary to reduce deferred tax assets to the amount that represents our best estimate of such deferred tax assets that, more likely than not, will be realized. Income tax expense is the tax payable for the year and the change during the year in deferred tax assets and liabilities. During 2020, we reevaluated the valuation allowance for deferred tax assets and determined that no current benefits should be recognized for the year ended December 31, 2020.

We are subject to U.S. federal income tax as well as state income tax.

Our U.S. income tax returns are subject to review and examination by federal, state, and local authorities. Our U.S. tax returns for the years 2016 to 2020 are open to examination by federal, local, and state authorities.

Our Taiwan tax returns are subject to review and examination by the Taiwan Ministry of Finance. Our Taiwan tax return for the years 2016 to 2020 are open to examination by the Taiwan Ministry of Finance.

### **Restricted Cash**

Restricted cash represents time deposits on account to secure short-term bank loans in our Taiwan-based segment.

### **Accounts and Other Payables**

	<u>June 30, 2021</u>	<u>December 31, 2020</u>
Accounts Payable	\$545,831	\$405,819
Accrued Expenses	2,880,439	2,715,507
Deferred Revenue	1,076	864
Accounts and Other Payables	<u>\$3,427,346</u>	<u>\$3,122,190</u>

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### **Deferred Revenue**

Advance payments received from customers on future installation projects are recorded as deferred revenue.

### **Stock-Based Compensation**

On January 1, 2006, we adopted the fair value recognition provisions of ASC 718, "Share-Based Payment," which requires the recognition of an expense related to the fair value of stock-based compensation awards. We elected the modified prospective transition method as permitted by ASC 718. Under this transition method, stock-based compensation expense for the years ended December 31, 2012 and 2011 includes compensation expense for stock-based compensation granted on or after the date ASC 718 was adopted based on the grant-date fair value estimated in accordance with the provisions of ASC 718. We recognize stock-based compensation expense on a straight-line basis over the requisite service period of the award. The fair value of stock-based compensation awards granted prior to, but not yet vested as of December 31, 2020 and 2019, were estimated using the "minimum value method" as prescribed by original

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provisions of ASC 718, “Accounting for Stock-Based Compensation.” Therefore, no compensation expense is recognized for these awards in accordance with ASC 718. We recognized \$120,000 and \$50,000 of stock-based compensation expense for the years ended December 31, 2020 and 2019, respectively.

### **Fair Value of Financial Instruments**

Fair value estimates discussed herein are based upon certain market assumptions and pertinent information available to us as of June 30, 2021 and December 31, 2020. The respective carrying values of certain on-balance-sheet financial instruments approximate their fair values. These financial instruments include cash, accounts receivable, 0 payable, accrued expenses, and amounts due to related parties. Fair values were assumed to approximate carrying values for these financial instruments because they are short-term in nature and their carrying amounts approximate their fair values or because they are receivable or payable on demand.

### **Segment Information**

We conduct operations in various geographic regions. The operations conducted and the customer bases located in the foreign countries are similar to the business conducted and the customer bases located in the United States. The net revenues and net assets (liabilities) for other significant geographic regions are as follows:

	<u>June 30, 2021</u>	
	<u>Net Revenue</u>	<u>Net Assets (Liabilities)</u>
United States	\$ 19,374	\$ (2,210,319)
Republic of China (Taiwan)	\$ 873,898	\$ 583,613

Furthermore, due to operations in various geographic locations, we are susceptible to changes in national, regional, and local economic conditions, demographic trends, consumer confidence in the economy, and discretionary spending priorities that may have a material adverse effect on our future operations and results.

We are required to collect certain taxes and fees from customers on behalf of government agencies and remit them back to the applicable governmental agencies on a periodic basis. The taxes and fees are legal assessments to the customer, for which we have a legal obligation to act as a collection agent. Because we do not retain the taxes and fees, we do not include such amounts in revenue. We record a liability when the amounts are collected and relieve the liability when payments are made to the applicable governmental agencies.

### **Reclassification**

Certain amounts in 2020 have been reclassified to conform to the 2021 presentation.

### **New Accounting Standards**

No new relevant accounting standards

**NOTE 2 RELATED PARTIES**

	<u>June 30, 2021</u>	<u>December 31, 2020</u>
During 2020 one of the three MEGAsys directors loaned money to MEGAsys at no interest.	-	37,711
On October 18, 2018, we entered into a debenture agreement for \$50,000 with Quadrant International LLC (four partners, three of which are related parties) at 0.0% interest per annum with interest and principal payable on the maturity date of December 31, 2019.	-	45,534
On September 10, 2014, we entered into a debenture agreement with Mr. Alex Kuo, a member of the Board of Directors, for \$30,000, through his wife, Li-Min Hsu, at 9.5% interest per annum with interest and principal payable on the extended maturity date of December 31, 2015. As consideration for the extension of the debenture, we granted Mrs. Hsu options to purchase 3,000 shares of our common stock with an exercise price of \$0.77 per share. *No longer a Director	-	30,000*
On September 8, 2014, we entered into a debenture agreement with Mr. Kuo's wife, Li-Min Hsu, for \$100,000, at 9.5% interest per annum with interest and principal payable on the extended maturity date of December 31, 2015. As consideration for the extension of the debenture, we granted Mrs. Hsu options to purchase 10,000 shares of our common stock with an exercise price of \$0.77 per share. *No longer a Director	-	100,000*
On August 28, 2014, we entered into a debenture agreement with Mr. Gregory Omi, formerly a member of our Board of Directors of the company for \$200,000, at 9.5% interest per annum with interest and principal payable on the extended maturity date of December 31, 2016. As consideration for the extension of the debenture, we granted Mr. Omi options to purchase 20,000 shares of our common stock with an exercised price of \$0.77 per share. This debenture was extended to December 31, 2016. Mr. Omi is currently the CTO of the company.	200,000	200,000
On November 19, 2012, we entered into a convertible debenture agreement with Mr. Robert Gillen, a member of our Board of Directors, for \$100,000 (the "Gillen I Debenture"), under his company Squirrel-Away, LLC. Under the original terms of the agreement, interest is payable at 10% per annum and became due on December 19, 2014. Gillen I Debenture was extended to January 5, 2015. On June 20, 2013, interest of \$5,000 was paid on the debenture. As consideration for agreeing to extend the maturity date of the debenture to December 31, 2015, we granted Mr. Gillen options to purchase 10,000 shares of common stock at an exercised price of \$0.77 per share. This debenture was extended to December 31, 2016.	\$ 100,000	\$ 100,000
Total Due to Related Parties	<u>\$ 300,000</u>	<u>\$ 512,711</u>
Less Current Portion	(300,000)	(512,711)
Less: Debt Discount	-	-
Total Long-Term	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

**NOTE 3            SHORT-TERM DEBT**

Short-term bank loans were initiated throughout 2019 with various Taiwan Banks.

**NOTE 4            PREFERRED STOCK**

We are currently authorized to issue up to 100,000,000 shares of preferred stock, par value \$0.00001 per share, 10,000,000 shares of which are designated as Series A Preferred Stock and 500 shares of which are designated as Series B Preferred Stock. Our Articles of Incorporation authorize the issuance of shares of preferred stock with designations, rights, and preferences determined from time to time by our Board of Directors. Accordingly, our Board of Directors is empowered, without stockholder approval, to issue preferred stock with dividend, liquidation, conversion, voting, or other rights which could adversely affect the voting power or other rights of the stockholders of our common stock. In the event of issuance, the preferred stock could be utilized, under certain circumstances, as a method of discouraging, delaying, or preventing a change in control of our company.

**Series A Preferred Stock**

We are authorized to issue up to 10,000,000 shares of Series A Preferred Stock. Each share of Series A Preferred Stock accrues cumulative dividends at a rate of 9.5% per annum of the original issue price of \$1.00 per share. Accrued but unpaid dividends are payable by us, either in cash or in shares of our common stock, upon the occurrence of a Liquidation Event (as defined in our Articles of Incorporation) or upon conversion of the shares into shares of our common stock. In addition, in the event of any liquidation, dissolution, or winding up of our company, the holders of Series A Preferred Stock are entitled to receive distributions of any of the assets of our company prior and in preference to the holders of our common stock, but after distribution of any assets of our company to the holders of our Series B Preferred Stock in an amount equal to the Series B Preferred Stock's original issue price plus any accrued but unpaid dividends.

Each share of Series A Preferred Stock is convertible at the option of the holder, at any time, into shares of our common stock equal to the original issue price divided by an initial conversion price of \$1.00 per share of Series A Preferred Stock, subject to certain adjustments. On June 30, 2017, all shares of Series A Preferred Stock not already converted automatically converted into shares of our common stock at the then-applicable conversion price.

The holders of Series A Preferred Stock have the same voting rights as, and vote as a single class with, the holders of our common stock. Each holder of our Series A Preferred Stock is entitled to the number of votes equal to the number of shares of our common stock into which such shares of Series A Preferred Stock may be converted. In addition, in the event we sell, grant, or issue any Common Stock Equivalent (as defined in our Articles of Incorporation) at a price per share that is lower than the then-applicable conversion price for the Series A Preferred Stock, the conversion price for the Series A Preferred Stock will be adjusted to account for the dilutive issuance. If we effectuate a stock split or subdivision of our common stock or our Board of Directors declares a dividend payable in our common stock, the conversion price for the Series A Preferred Stock will be appropriately decreased to protect the Series A Preferred Stock holders from any dilutive effect of the stock split, subdivision, or stock dividend. Similarly, if the number of shares of our common stock outstanding decreases due to a reverse stock split or other combination of the outstanding shares of our common stock, then the applicable conversion price of the Series A Preferred Stock will increase in order to proportionately decrease the number of shares issuable upon conversion. Holders of our Series A Preferred Stock have no sinking fund or redemption rights.

**Series B Preferred Stock**

We are authorized to issue up to 500 shares of Series B Preferred Stock. Each share of Series B Preferred Stock accrues dividends at a rate of 9.5% per annum of the original issue price of \$10,000 per share. Dividends on the Series B Preferred Stock accrue daily and compound annually. All accrued but unpaid dividends on the Series B Preferred Stock must be paid, declared, or set aside prior to the declaration of any dividend on any class of stock that is junior in preference to the Series B Preferred Stock. Dividends on the Series B Preferred Stock are paid quarterly, beginning on July 1, 2015 in either cash or shares of our common stock. In addition, all accrued but unpaid dividends are payable by us, either in cash or in shares of our common stock, upon the occurrence of a Liquidation Event (as defined in our Articles of Incorporation) or upon the conversion of the shares into shares of our common stock.

In the event of any liquidation, dissolution, or winding up of our company, the holders of Series B Preferred Stock are entitled to receive distributions of any of the assets of our company equal to 100% of the original issue price plus all accrued but unpaid dividends prior and in preference to the holders of Series A Preferred Stock and holders of our common stock. We also have the option to redeem all, but not less than all, of the Series B Preferred Stock, provided that certain conditions have been met. Should we choose to redeem the shares of our Series B Preferred Stock outstanding, we are required to pay the original purchase price plus all accrued but unpaid dividends. Each share of Series B Preferred Stock is convertible at the option of the holder, at any time, into shares of our common stock equal to the original issue price divided by an initial conversion price of \$0.75 per share of Series B Preferred Stock, subject to certain adjustments. On December 31, 2017, all shares of our Series B Preferred Stock not already converted will automatically convert into shares of our common stock at the then-applicable conversion price.

The holders of Series B Preferred Stock have no voting rights, except as are expressly provided in our Articles of Incorporation or required by law. Without the approval of at least a majority of the outstanding Series B Preferred Stock, we may not authorize or issue (i) any additional or other shares of capital stock that are of senior rank to the shares of Series B Preferred Stock in respect of the preferences as to dividends, distributions, or payments upon the liquidation, dissolution, and winding up of our company, (ii) any additional or other shares of capital stock that are of equal rank to the shares of Series B Preferred Stock in respect of the preferences as to dividends, distributions, or payments upon the liquidation, dissolution, and winding up of our company, or (iii) any capital stock junior in preference to the Series B Preferred Stock having a maturity date that is prior to the maturity date of the Series B Preferred Stock. Furthermore, if we consummate a Fundamental Transaction (as defined in our Articles of Incorporation) while shares of our Series B Preferred Stock are outstanding, then the holders of those outstanding shares have the right to receive, upon conversion of the Series B Preferred Stock, the same amount and kind of securities, cash, or property as they would have received if they would have been holders of the number of shares of common stock issuable upon conversion in full of all shares of our Series B Preferred Stock immediately prior to the Fundamental Transaction.

In addition, in the event we sell, grant, or issue any Common Stock Equivalent (as defined in our Articles of Incorporation) at a price per share that is lower than the then-applicable conversion price for the Series B Preferred Stock (the "Effective Price"), the conversion price for the Series B Preferred Stock will be adjusted to the Effective Price.

If we effectuate a stock split or subdivision of our common stock or our Board of Directors declares a dividend payable in our common stock, the conversion price for the Series B Preferred Stock will be appropriately decreased to protect the Series B Preferred Stock holders from any dilutive effect of the stock split, subdivision, or stock dividend. Similarly, if the number of shares of our common stock outstanding decreases due to a reverse stock split or other combination of the outstanding shares of our common stock, then the applicable conversion price of the Series B Preferred Stock will increase in order to proportionately decrease the number of shares issuable upon conversion. Holders of our Series B Preferred Stock have no sinking fund rights.

## **NOTE 5 EQUITY**

### **Common Stock**

We are authorized to issue up to 100,000,000 shares of common stock, par value \$0.00001 per share. All outstanding shares of our common stock are of the same class and have equal rights and attributes. The holders of our common stock are entitled to one vote per share on all matters submitted to a vote of the stockholders of our company. Our common stock does not have cumulative voting rights. Persons who hold a majority of the outstanding shares of our common stock entitled to vote on the election of directors can elect all of the directors who are eligible for election. Holders of our common stock are entitled to share equally in dividends, if any, as may be declared from time to time by our Board of Directors. In the event of liquidation, dissolution, or winding up of our company, subject to the preferential liquidation rights of any series of preferred stock that we may from time to time designate, the holders of our common stock are entitled to share ratably in all of our assets remaining after payment of all liabilities and preferential liquidation rights. Holders of our common stock have no conversion, exchange, sinking fund, redemption, or appraisal rights (other than such as may be determined by the Board of Directors in its sole discretion) and have no preemptive rights to subscribe for any of our securities.

On April 21, 2016, certain Series B Preferred Shareholders exercised and exchanged \$380,000 of shares of our Common Stock at a price of \$0.35 per share of their Tranche A Warrants. The initial exercise price of the Tranche A Warrants was \$1.00 and per the Exchange Agreement the Company offered to reduce the initial exercise price to \$0.35 for the immediate exercise of the Tranche A Warrant and will replace those exercised with a replacement Tranche A Warrant with the same terms and conditions as the original warrant including the exercise price of \$1.00 but with a new 18-month term from the date of the exchange.

The initial exercise price of the Tranche B Warrants was \$1.10 and the Warrant Exchange Agreement adjusts these Tranche B Warrants to \$0.35 exercise price. The exercise price of the Tranche B Warrants is subject to customary adjustments for issuances of shares of common stock as a dividend or distribution on shares of the common stock, or mergers or reorganizations, as well as "full-ratchet" anti-dilution adjustments for future issuances of other Company securities (subject to certain standard carve-outs).

As a result of this event, the exercise price of warrants issued to Series A Preferred Shareholders adjusted from \$.75 to \$.35 and conversion price of Series A Preferred shares to shares of common stock adjusted from \$.97 to \$.86 per anti-dilution rights of the agreement.

**NOTE 6 STOCK OPTION PLAN AND WARRANTS**

**Stock Options**

On October 15, 2009, we adopted the 2009 Stock Option Plan (the “2009 Option Plan”), with an aggregate number of 1,500,000 shares of common stock issuable under the plan. The purpose of the 2009 Option Plan was to assume options that were already issued in the 2006 and 2008 Option plans under Iveda Corporation after the merger with Charmed Homes. As of December 31, 2020, options to purchase 745,554 shares of our common stock were outstanding under the 2009 Option Plan.

On January 18, 2010, we adopted the 2010 Stock Option Plan (the “2010 Option Plan”), which allows the Board to grant options to purchase up to 1,000,000 shares of common stock to directors, officers, key employees, and service providers of our company. In 2011, the 2010 Option Plan was amended to increase the number of shares issuable under the 2010 Option Plan to 3,000,000 shares. In 2012, 2010 Option Plan was again amended to increase the number of shares issuable under the 2010 Option Plan to 13,000,000 shares. The shares issuable pursuant to the 2010 Option Plan are registered with the SEC under Forms S-8 filed on February 4, 2010 (No. 333-164691), June 24, 2011 (No. 333-175143), and December 4, 2013 (No. 333-192655). As of December 31, 2020, options to purchase 5,292,200 shares of our common stock were outstanding under the 2010 Option Plan.

Stock options may be granted as either incentive stock options intended to qualify under Section 422 of the Internal Revenue Code of 1986, as amended (the “Code”), or as options not qualified under Section 422 of the Code. All options are issued with an exercise price at or above the fair market value of the common stock on the date of the grant as determined by our Board of Directors. Incentive stock option plan awards of restricted stock are intended to qualify as deductible performance-based compensation under Section 162(m) of the Code. Incentive Stock Option awards of unrestricted stock are not designed to be deductible to us under Section 162(m). Under the plans, stock options will terminate on the tenth anniversary date of the grant or earlier if provided in the grant.

We have also granted non-qualified stock options to employees and contractors. All non-qualified options are generally issued with an exercise price no less than the fair value of the common stock on the date of the grant as determined by our Board of Directors. Options may be exercised up to ten years following the date of the grant, with vesting schedules determined by us upon grant. Vesting schedules vary by grant, with some fully vesting immediately upon grant to others that ratably vest over a period of time up to four years. Standard vested options may be exercised up to three months following date of termination of the relationship unless alternate terms are specified at grant. The fair values of options are determined using the Black-Scholes option-pricing model. The estimated fair value of options is recognized as expense on the straight-line basis over the options’ vesting periods. At December 31, 2020, we had unrecognized stock-based compensation of \$0 with a weighted-average term of approximately three years.

Stock option transactions during 2020 and 2019 were as follows:

	2020		2019	
	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price
Outstanding at Beginning of Year	6,728,393	\$ 0.79	6,710,893	\$ 0.86
Granted	2,500,000	0.37	695,000	0.28
Exercised	1,270,000	0.16	-	0.10
Forfeited or Canceled	<u>(355,000)</u>	-	<u>(677,500)</u>	1.00
Outstanding at End of Year	<u>10,143,393</u>	0.63	<u>6,728,393</u>	0.79
Options Exercisable at Year-End	<u>10,143,393</u>	0.63	<u>6,728,393</u>	0.79
Weighted-Average Fair Value of Options Granted During the Year	<u>\$ 0.06</u>		<u>\$ 0.05</u>	

Information with respect to stock options outstanding and exercisable at December 31, 2020 is as follows:

Range of Exercise Prices	Options Outstanding			Options Exercisable	
	Number Outstanding at December 31, 2020	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Number Exercisable at December 31, 2020	Weighted-Average Exercise Price
\$0.04 - \$1.75	10,143,393	5.8	\$ 0.63	10,143,393	\$ 0.63

The fair value of each option granted is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions used for options granted.

	2020	2019
Expected Life	5 yrs	5 yrs
Dividend Yield	0%	0%
Expected Volatility	15%	15%
Risk-Free Interest Rate	1.00%	1.80%

Warrant transactions during 2020 and 2019 were as follows:

	2020		2019	
	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price
Outstanding at Beginning of Year	5,563,509	\$ 0.78	4,796,876	\$ 0.86
Granted	989,856	0.37	1,335,178	0.35
Exercised			-	
Forfeited or Canceled	(2,203,331)	0.36	(568,545)	0.45
Outstanding at End of Year	<u>4,350,034</u>	0.90	<u>5,563,509</u>	0.78
Warrant Exercisable at Year-End	<u>4,350,034</u>	0.90	<u>5,563,509</u>	0.78
Weighted-Average Fair Value of Warrants Granted During the Year	<u>\$ 0.03</u>		<u>\$ 0.03</u>	

Information with respect to warrants outstanding and exercisable at December 31, 2020 is as follows:

Range of Exercise Prices	Warrants Outstanding			Warrants Exercisable	
	Number Outstanding at December 31, 2020	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Number Exercisable at December 31, 2020	Weighted-Average Exercise Price
\$0.35 - \$1.65	4,350,034	1.0	\$ 0.90	4,350,034	\$ 0.90

The fair value of each warrant granted is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions used for options granted.

	<u>2020</u>	<u>2019</u>
Expected Life	1.5 yrs	1.5 yrs
Dividend Yield	0%	0%
Expected Volatility	15%	15%
Risk-Free Interest Rate	1.00%	1.80%

## NOTE 7 INCOME TAXES

### U.S. Federal Corporate Income Tax

Temporary differences between financial statement carrying amounts and the tax basis of assets and liabilities and tax credit and operating loss carryforward that create deferred tax assets and liabilities are as follows:

	<u>2020</u>	<u>2019</u>
Tax Operating Loss Carryforward - USA	\$ 10,000,000	\$ 8,877,000
Other	-	31,700
Valuation Allowance - USA	<u>(10,000,000)</u>	<u>(8,908,700)</u>
	<u>\$ -</u>	<u>\$ -</u>

The valuation allowance increased approximately \$2.1 million, primarily as a result of the increased net operating losses of our U.S.- based segment.

As of December 31, 2020, we had federal net operating loss carryforwards for income tax purposes of approximately \$25.0 million which will begin to expire in 2025. We also had Arizona and California net operating loss carryforwards for income tax purposes of approximately \$19.4 million and \$2.0 million, respectively, which began to expire in 2014. These carryforwards have been utilized in the determination of the deferred income taxes for financial statement purposes. The following table accounts for federal net operating loss carryforwards only.

Year Ending December 31,	Net Operating Loss:	Year of Expiration
2020	\$ 500,000	2040
2019	500,000	2039
2018	500,000	2038
2017	500,000	2037
2016	1,000,000	2036
2015	3,400,000	2035
2014	5,230,000	2034
2013	5,600,000	2033
2012	2,850,000	2032
2011	2,427,000	2031
2010	1,799,000	2030
2009	1,750,000	2029
2008	1,308,000	2028
2007	429,000	2027
2006	476,000	2026
2005	414,000	2025

### Taiwan (Republic of China) Corporate Tax

Sole-Vision Technologies, Inc. is a subsidiary of the Company which is operating in Taiwan as a profit-seeking enterprise. Its applicable corporate income tax rate is 17%. In addition, Taiwan's corporate tax system allows the government to levy a 10% profit retention tax

on undistributed earnings for the prior year. This tax will not be provided if the company distributed the earnings before the ended of the fiscal year.

According to the Taiwan corporate income tax (“TCIT”) reporting system, the TCIT sales cut-off base is concurrent with the business tax classified as value-added type (“VAT”) which will be reported to the Ministry of Finance (“MOF”) on a bi-monthly basis. Since the VAT and TCIT are accounted for on a VAT tax basis that recorded all sales on business tax on a VAT tax reporting system, the Company is bound to report the TCIT according to the MOF prescribed tax reporting rules. Under the VAT tax reporting system, sales cut-off did not take the accrual base but rather on a VAT taxable reporting basis. Therefore, when the company adopted US GAAP on accrual basis, the sales cut-off TCIT timing difference which derived from the VAT reporting system will create a temporary sales cut-off timing difference and this difference is reflected in the deferred tax assets or liabilities calculations.

**NOTE 8 EARNINGS (LOSS) PER SHARE**

The following table provides a reconciliation of the numerators and denominators reflected in the basic and diluted earnings per share computations, as required by ASC No. 260, “Earnings per Share.”

Basic earnings per share (“EPS”) is computed by dividing reported earnings available to stockholders by the weighted average shares outstanding. We had net losses for the years ended December 31, 2020 and 2019 and the effect of including dilutive securities in the earnings per common share would have been anti-dilutive for the purpose of calculating EPS. Accordingly, all options, warrants, and shares potentially convertible into common shares were excluded from the calculation of diluted earnings per share for the periods ended June 30, 2021 and 2020.

	<u>2021</u>	<u>2020</u>
<b>Basic EPS</b>		
Net Loss	\$ (983,205)	\$ (705,187)
Weighted Average Shares	57,575,709	51,401,395
Basic Loss Per Share	<u>\$ (0.02)</u>	<u>\$ (0.01)</u>

**NOTE 9 CONTINGENT LIABILITIES—TAIWAN**

Pursuant to certain contracts with New Taipei City, TECO Electric and Machinery Co., Ltd, and the Taiwan Stock Exchange Information Center, MEGAsys is required to provide after-project services. If MEGAsys fails to provide these after-project services in the future, other parties of the related contract would have recourse. The financial exposure to MEGAsys in the event of failure to provide after-project services in the future as of June 30, 2021 is \$0.

**NOTE 10 SUBSEQUENT EVENTS**

NONE.