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May 15, 2022

Dear Equitech Shareholders,

I am happy to report that during Q1 2022 Equitech made significant progress on all fronts and continued to position itself as the leader of Innovative Opto-electronic Solutions for In-line Process Management.

During this quarter, Equitech became a Pink Sheets Current Information company, and it is now complying with the requirements of the over-the-counter (OTC) markets for this tier. This is an important step for two fundamental reasons: it increases credibility in the vision of the company and our business plan and helps us attract new investors.

We will continue to work on the elimination of the stock restrictions that exist to meet the requirements of Rule 144 during the following months. Once we have achieved this objective, we will seek to move to the middle tier (the OTCQB). This tier was created in 2010 and consists mainly of early-stage and developing U.S. and international companies that are not yet able to qualify for the OTCQX but are not as speculative as the lowest-tier Pink Sheets.

Our expanding color-measurement knowledgeable sales network is beginning to bring important opportunities to our attention. To this end, I am happy to report that during Q1 we increased the sales of systems, probes, and OEM products resulting in sales of \$323K (69% of our entire 2021 revenues!). On the balance sheet, you will notice that we doubled our assets, and continue to decrease our liabilities. We have begun negotiating with our ex-employees a debt-to-equity exchange and expect to see Q2 a significant reduction in accrued compensation.

We understand that customers want to try our technology before they purchase. During this quarter, we had extended and very successful trials with two different customers considering purchasing multiple systems for their facilities. We hope to capitalize on these efforts later this year.

Determining which probe to use for a particular application is critical because of the role they play in color measurement. Succinctly, fiber optic probes carry light from the system to the sample and transport the reflected light back to the detector. Equitech has invented a myriad of probes since the company's inception. Our scientists are redesigning some of our probes to improve manufacturability and serviceability. The new probes will begin shipping once they pass QC tests.

We have been consistently adding resources to marketing. We began a collaboration with Plastics Technology (<https://www.ptonline.com/zones/extrusion>) a year ago and continue expanding on it. New ads are being designed that will appear in the magazine this year. In addition, we have contracted with Plastics Engineering, the Society of Plastics Engineers ([www.4spe.org](http://www.4spe.org)) magazine where we are planning to have extensive coverage of Equitech in the issue commemorating the society's 80<sup>th</sup> anniversary later this year.

We are looking forward to a great 2022!

Jaime A. Gómez, PhD  
President & CEO

**EQUITECH INT'L CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2022**

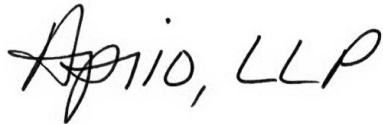
# EQUITECH INT'L CORPORATION AND SUBSIDIARIES

## TABLE OF CONTENTS

	<u>PAGE</u>
Independent accountants' compilation report	1
Consolidated financial statements:	
Consolidated balance sheet	2 - 3
Consolidated statement of income	4
Consolidated statement of stockholders' deficit	5
Consolidated statement of cash flows	6
Notes to consolidated financial statements	7 - 13

To the Stockholders of  
Equitech Int'l Corporation and Subsidiaries

Management is responsible for the accompanying consolidated financial statements of Equitech Int'l Corporation and Subsidiaries (a C corporation), which comprise the consolidated balance sheet as of March 31, 2022, and the related consolidated statements of income, stockholders' equity, and cash flows for the period of January 1, 2022 through March 31, 2022, and the related notes to the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the consolidated financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. We do not express an opinion, a conclusion, nor provide assurance on these consolidated financial statements.

A handwritten signature in black ink that reads "Aprio, LLP". The signature is written in a cursive, flowing style.

Atlanta, Georgia

May 12, 2022

EQUITECH INT'L CORPORATION AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEET  
MARCH 31, 2022

<u>ASSETS</u>	<u>Amount</u>
<u>Current assets</u>	
Cash	\$ 117,890
Accounts receivable - trade	118,517
Inventory	74,800
Other current assets	<u>1,000</u>
Total current assets	<u>312,207</u>
<u>Other assets</u>	
Investment in Optoniks Corp.	<u>125,000</u>
Total other assets	<u>125,000</u>
Total assets	<u>\$ 437,207</u>

See accountants' compilation report and accompanying notes

EQUITECH INT'L CORPORATION AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEET  
MARCH 31, 2022

LIABILITIES AND STOCKHOLDERS' DEFICIT

	<u>Amount</u>
<u>Current liabilities</u>	
Accounts payable	\$ 141,872
Accrued compensation	847,720
Other accrued liabilities	187,978
Notes payable	317,368
Income taxes payable	<u>81,352</u>
Total current liabilities	<u>1,576,290</u>
<u>Stockholders' deficit</u>	
Class A preferred stock, \$0.001 par value, 2,000,000 shares authorized; 179,906 shares issued and outstanding at March 31, 2022	180
Class B preferred stock, \$0.001 par value, 1,000,000 shares authorized; 0 shares issued and outstanding at March 31, 2022	-
Common stock, \$0.001 par value, 12,500,000 shares authorized; 1,453,072 shares issued and outstanding at March 31, 2022	1,453
Additional paid-in capital	13,402,651
Accumulated deficit	<u>(14,584,798)</u>
Deficit attributable to Equitech Int'l Corporation	<u>(1,180,514)</u>
Non-controlling interest	<u>41,431</u>
Stockholders' deficit	<u>(1,139,083)</u>
Total liabilities and stockholders' deficit	<u>\$ 437,207</u>

See accountants' compilation report and accompanying notes

EQUITECH INT'L CORPORATION AND SUBSIDIARIES  
CONSOLIDATED STATEMENT OF INCOME  
FOR THE PERIOD OF JANUARY 1, 2022 THROUGH MARCH 31, 2022

	<u>Amount</u>
<u>Net sales</u>	\$ 323,802
<u>Cost of goods sold</u>	<u>176,885</u>
Gross profit	<u>146,917</u>
<u>Operating expenses</u>	
General and administrative	<u>174,598</u>
Total operating expenses	174,598
Loss from operations	<u>(27,681)</u>
<u>Other income (expense)</u>	
Interest expense	(1,923)
Miscellaneous income	1,254
Gain on expiration of tax liens	<u>124,256</u>
Total other income	<u>123,587</u>
Consolidated net income	95,906
Less: income attributable to non-controlling interests	<u>9,281</u>
Net income attributable to Equitech Int'l Corporation	\$ <u>86,625</u>

See accountants' compilation report and accompanying notes

EQUITECH INT'L CORPORATION AND SUBSIDIARIES  
CONSOLIDATED STATEMENT OF STOCKHOLDERS' DEFICIT  
FOR THE PERIOD OF JANUARY 1, 2022 THROUGH MARCH 31, 2022

	<u>Class A Preferred Stock</u>		<u>Class B Preferred Stock</u>		<u>Common Stock</u>		Additional Paid- in Capital	Accumulated Deficit	Non- controlling Interests	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u>				
Balance at January 1, 2022	179,906	\$ 180	-	\$ -	1,453,072	\$ 1,453	\$ 13,402,651	\$(14,671,423)	\$ 32,150	\$ (1,234,989)
Net income	-	-	-	-	-	-	-	86,625	9,281	95,906
Balance at March 31, 2022	<u>179,906</u>	<u>\$ 180</u>	<u>-</u>	<u>\$ -</u>	<u>1,453,072</u>	<u>\$ 1,453</u>	<u>\$ 13,402,651</u>	<u>\$(14,584,798)</u>	<u>\$ 41,431</u>	<u>\$ (1,139,083)</u>

See accountants' compilation report and accompanying notes



EQUITECH INT'L CORPORATION AND SUBSIDIARIES  
CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE PERIOD OF JANUARY 1, 2022 THROUGH MARCH 31, 2022

	<u>Amount</u>
<u>Cash flows from operating activities</u>	
Net income	\$ <u>95,906</u>
Adjustments to reconcile net income to net cash provided by operating activities:	
Gain on expiration of tax liens	(124,256)
Change in operating assets and liabilities:	
Accounts receivable - trade	(70,818)
Inventory	26,045
Other current assets	(1,000)
Accounts payable	(4,698)
Accrued compensation	65,148
Other accrued liabilities	(6,106)
Income taxes payable	<u>42,398</u>
Total adjustments	<u>(73,287)</u>
Cash provided by operating activities	<u>22,619</u>
Net increase in cash	22,619
Cash, beginning of the period	<u>95,271</u>
Cash, end of period	<u>\$ <u>117,890</u></u>

See accountants' compilation report and accompanying notes

EQUITECH INT'L CORPORATION AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
MARCH 31, 2022

**Note A**  
**Summary of Significant Accounting Policies**

Nature of Operations:

Equitech Int'l Corporation ("Equitech"), a Nevada Corporation, was formed on March 28, 1995 to specialize in the design, sales, installation of service of fiber optic instrumentation systems. Equitech is a publicly held corporation trading over the counter on pink sheets whose product lines will include a wide range of sensors, analytical products and electronic equipment used in research, industrial process control and commercial consumer electronics. Equitech is headquartered in Indian Trail, North Carolina.

Principles of Consolidation:

The accompanying consolidated financial statements include the accounts of Equitech and CompSOL USA Inc ("CompSOL"). Significant intercompany balances and transactions have been eliminated in consolidation. Equitech Int'l Corporation and Subsidiaries will be collectively referred to as "the Company".

Noncontrolling Interest:

Noncontrolling interest is the portion of the ownership in CompSOL not directly attributable to the Company and is reported as a separate component of the Company's stockholders' equity in its consolidated financial statements. The Company's consolidated net loss is reported at amounts that include the amounts attributable to both the Company and the noncontrolling interest.

Liquidity:

The consolidated financial statements have been prepared assuming the Company will continue as a going concern. The Company has incurred net losses since its inception, with an accumulated deficit of approximately \$14.6 million and a negative current ratio as of March 31, 2022. Management's plans with regard to these matters include converting the notes payable due to stockholders and accrued compensation to equity and leveraging the strengths of both Equitech and CompSOL to increase financial viability. Management projected that they will start generating enough cash flow to cover the operating needs in the coming years. The consolidated financial statements do not include any adjustments that might result from the outcome of these uncertainties.

Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statement. Estimates are used for, but not limited to, accrued liabilities and contingencies. Actual results could differ from these estimates.

EQUITECH INT'L CORPORATION AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
MARCH 31, 2022

**Note A**  
**Summary of Significant Accounting Policies (Continued)**

**Concentration of Credit Risk Arising From Cash Deposits in Excess of Insured Limits:**

The Company maintains its cash in bank deposits that at times may exceed federally insured limits. The Company has not experienced any losses in such accounts. The Company believes it is not exposed to any significant risks on cash.

**Accounts Receivable - Trade:**

The Company extends credit to customers located throughout the world based on the size of the customer, its payment history, and other factors. The Company generally does not require collateral to support customer receivables. The Company provides an allowance for doubtful accounts based upon a review of the outstanding accounts receivable, historical collection information and existing economic conditions. The Company determines if receivables are past due based on days outstanding, and amounts are written off when determined to be uncollectible by management. The maximum accounting loss from the credit risk associated with accounts receivable is the amount of the receivable recorded, which is the face amount of the receivable, net of the allowance for doubtful accounts. As of March 31, 2022, the Company believes all receivables are fully collectible, and accordingly, no allowance for doubtful accounts has been established.

**Inventory:**

Inventory consists of parts, and is stated at the lower of cost or net realizable value. Inventory is valued using the first-in, first-out method. Provisions are made in each period for the estimated effect of obsolete and slow-moving inventories. As of March 31, 2022, the Company determined no reserve for obsolete and slow-moving inventories was necessary.

**Investment in Optoniks Corp:**

The company owns a 2% ownership interest in Optoniks Corp. ("Optoniks"). This investment is accounted for using the cost method of accounting. Accordingly, the investment is recorded at the historical cost of the Company's equity in Optoniks.

**Impairment of Long-Lived Assets:**

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be fully recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of the assets to their fair value, which is normally determined through analysis of the future net cash flows expected to be generated by the assets. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount that the carrying amount of the assets exceeds the fair value of the assets. There is no impairment necessary for the period ended March 31, 2022.

EQUITECH INT'L CORPORATION AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
MARCH 31, 2022

**Note A**  
**Summary of Significant Accounting Policies (Continued)**

Accrued Compensation:

Accrued compensation consists of wages earned by employees, but not paid by the Company. The employees have deferred the receipt of these wages through verbal and written agreements.

Revenue Recognition:

The Company recognizes revenue in accordance with ASC 606 when: (i) a contract with a client has been identified, (ii) the performance obligation(s) in the contract have been identified, (iii) the transaction price has been determined, (iv) the transaction price has been allocated to each performance obligation in the contract, and (v) the Company has satisfied the applicable performance obligation.

The Company designs, sells, installs and services fiber optic instrumentation systems. Revenue is recognized when performance obligations under the terms of the contracts with customers are satisfied. The Company's performance obligation generally consists of the promise to manufacture and install finished products to its customers. The performance obligation is satisfied upon transfer of control of finished goods, which occurs upon shipment to or installation at the customer locations, as determined by specific terms. Revenue is measured as the amount of consideration the Company expects to receive in exchange for transferring goods and is recognized upon transfer of control. The Company also performs maintenance and repair services for the systems and the performance obligation is recognized at a point in time upon the completion of the services since the services are completed within a short period of time. The Company also rents out the systems and recognizes revenue over the rental period. The Company's invoices are due within 30 days.

Shipping and Handling Costs:

The Company classifies shipping and handling amounts billed to customers as sales, and shipping and handling costs as a component of cost of goods sold.

Advertising:

The Company expenses advertising costs as incurred. Advertising expenses were approximately \$3,800 for the three months ended March 31, 2022.

Income Taxes:

The Company accounts for income taxes using the asset and liability approach. Deferred tax assets and liabilities are recognized for the future tax consequences of differences between the financial statements carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates scheduled to be in effect when temporary differences are expected to be recovered or settled. The effect of a change in enacted tax rates on the deferred tax assets and liabilities is recognized in income in the financial statement period when the new tax rates are enacted. The Company assesses the realizability of its deferred tax assets annually and records a valuation allowance when it is determined more likely than not that a deferred tax asset will not be realized in full.

EQUITECH INT'L CORPORATION AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
MARCH 31, 2022

**Note A**  
**Summary of Significant Accounting Policies (Continued)**

The Company accounts for the uncertainty in income taxes as prescribed by the minimum probability threshold that a tax position must meet before a financial statement benefit is recognized. The minimum threshold is defined as a tax position that is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than 50% likely of being realized upon ultimate settlement. There were no uncertain tax positions as of March 31, 2022.

The Company is no longer subject to Federal or State income tax examination for calendar years prior to 2018.

**Fair Value of Financial Instruments:**

The Company's financial instruments, including cash, accounts receivable, accounts payable, and accrued liabilities, are carried at cost, which approximates their fair value because of the short-term nature of these financial instruments. The carrying value of notes payable are based on the instruments' interest rate, terms, maturity date and collateral, if any, in comparison to the Company's incremental borrowing rate for similar financial instruments.

**Note B**  
**Notes Payable**

Notes payable consists of unsecured agreements with certain stockholders and other employees. The notes bear interest at fixed rates ranging from 0% to 10% and are due upon demand. The total outstanding balance as of March 31, 2022 was \$317,368. Certain agreements, if elected, can be converted to shares of common stock.

EQUITECH INT'L CORPORATION AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
MARCH 31, 2022

**Note C**  
**Stock-Based Compensation**

During 2021, the Company's Board approved a stock option plan for employees, directors, officers, and other service providers of the Company (the "Equity Plan"). The Equity Plan provided the Board the authority to grant options to purchase up to 620,000 shares of common stock. The option exercise price for each grant of incentive stock option shall not be less than the fair market value of a share on the grant date. The options generally vest 100% after the first year of service following the grant date. Certain options were granted with an immediate vesting. The options expire as set forth by the Board, but not more than 10 years from the date of grant.

A summary of the Company's common stock option activity and related information is as follows:

	<u>Options</u>	<u>Weighted Average Exercise Price</u>	<u>Weighted Average Remaining Contractual Term (in years)</u>
Outstanding at January 1, 2022	398,132	\$ 5.00	10.00
Granted	-	-	
Exercised	-	-	
Forfeited	-	-	
Outstanding at March 31, 2022	<u>398,132</u>	5.00	10.00
Vested and exercisable at March 31, 2022	<u>398,132</u>	5.00	10.00
Vested and expected to vest at March 31, 2022	<u>398,132</u>	\$ 5.00	10.00

As of March 31, 2022, there was no unrecognized stock-based compensation. During the period ended March 31, 2022, the weighted average grant date fair value of common stock options granted was \$0.85.

**Note D**  
**Stockholders' Equity**

The Company has two classes of preferred stock: Class A Preferred Stock and Class B Preferred Stock (collectively, "Preferred Stock"). The Board of Directors of the Company establishes the rights, privileges, voting, liquidation preference, series, convertibility, dividend and redemption provisions of the Preferred Stock. The holders of the Preferred Stock are entitled to dividends at a rate established by the Board of Directors with Priority over the holders of common stock. Upon dissolution, the holders of Preferred Stock will hold first priority over the holders of common stock. Upon dissolution, the holders of Preferred Stock will hold first priority of the liquidation value of the remaining assets of the Company. All outstanding preferred shares are convertible at \$1.00 per share at a rate of 1 to 3 shares of common stock, depending on the stockholder's agreement.

EQUITECH INT'L CORPORATION AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
MARCH 31, 2022

**Note E**  
**Revenue From Contracts With Customers**

The revenue by service line consists of the following for the period ended March 31, 2022:

	<u>Amount</u>
Parts sales	\$ 17,186
System sales	274,247
Design services	7,375
Maintenance and repair services	6,400
Shipping	2,094
Unit rentals	<u>16,500</u>
Total Revenue From Contracts With Customers	<u>\$ 323,802</u>

**Note F**  
**Income Taxes**

The tax effects of temporary differences that give rise to significant portions of the deferred tax asset at March 31, 2022, consist of:

	<u>Amount</u>
<u>Deferred tax asset:</u>	
Available net operating loss carryforwards	\$ 1,924,378
Valuation allowance	<u>(1,924,378)</u>
Net deferred tax asset	<u>\$ -</u>

As of March 31, 2022, the Company has generated a net operating loss ("NOL") carryforward for tax purposes of approximately \$9,164,000, which can be carried forward to offset future taxable income. The NOL carryovers created prior to 2017 amount to approximately \$7,597,000 and expire 20 years from the year generated. The NOL carryovers created beginning in 2018 amount to approximately \$1,567,000 and do not expire. No benefit for income taxes has been recorded due to the uncertainty of the realization of any tax assets, accordingly, the Company recorded a full valuation allowance on the deferred tax asset as of March 31, 2022.

As of December 31, 2020, the Company had tax liens with federal and state governments filed in 2013 of approximately \$354,000 and \$70,000, respectively. During 2021 and 2022, the statute of limitations on certain liens ended causing the liabilities to expire totaling approximately \$293,000 for federal liens and \$50,000 for state liens. As of March 31, 2022, the Company has outstanding tax liens with federal and state governments of approximately \$61,000 and \$20,000, respectively. These amounts are included in income taxes payable on the consolidated balance sheet. Interest expense accrued on these liens totaled \$366 for the period ended March 31, 2022.

EQUITECH INT'L CORPORATION AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
MARCH 31, 2022

**Note G**  
**Commitments and Contingencies**

Operating Leases:

On February 10, 2021, the Company entered into a Strategic Alliance Agreement with four other companies to consolidate expenses and integrate commercial synergies between all parties. Prior to this agreement, the Company leased office space under a noncancelable operating lease agreement that was set to expire in June 2023. The lease agreement was cancelled upon execution of the Strategic Alliance Agreement with no penalty. As part of the Strategic Alliance Agreement, a facility was leased in which the Company's portion of the rent is \$1,250 per month for 24 months.

At March 31, 2022, future minimum lease payments under the noncancelable operating lease were as follows:

<u>Year Ending March 31</u>	<u>Amount</u>
2023	\$ 12,000
2024	<u>2,500</u>
	<u>\$ 14,500</u>

Rent expense under this agreement totaled \$6,100 for the three months ended March 31, 2022.

**Note H**  
**Concentrations**

Significant Vendor:

A significant vendor is defined as one from which the company receives at least 10% its total purchases. For the period ended March 31, 2022, the Company had purchases from one supplier totaling \$355,279, which comprised approximately 57% of the Company's annual purchases. The accounts payable balance included approximately \$106,800 to this vendor at March 31, 2022.

Significant Customer:

A significant customer is defined as one from whom at least 10% of annual revenue is derived. The Company had sales to four customers totaling \$293,435, which comprised approximately 91% of annual revenues for the period ended March 31, 2022. The accounts receivable balance included approximately \$79,500 from these four customers at March 31, 2022.

**Note I**  
**Subsequent Events**

The Company evaluated subsequent events through May 9, 2022, when these financial statements were available to be issued. The Company is not aware of any additional significant events that occurred subsequent to the balance sheet date, but prior to the filing of this report, that would have a material impact on the consolidated financial statements, other than those below.