

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended **September 30, 2022**

Or

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

For the transition period from _____ to _____

Commission File Number: **000-18730**

DarkPulse, Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

87-0472109

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

815 Walker Street, Suite 1155, Houston, TX

(Address of principal executive offices)

77002

(Zip Code)

(800) 436-1436

(Registrant's telephone number, including area code)

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

Title of Each Class	Trading Symbol(s)	Name of each exchange on which registered
Not applicable	Not applicable	Not applicable

Indicate by check mark whether the registrant has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports).

Yes ☒ No ☐

Indicate by check mark whether the registrant has been subject to such filing requirements for the past 90 days.

Yes ☒ No ☐

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

Yes ☒ No ☐

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

Large accelerated filer

☐

Accelerated filer

☐

Non-accelerated filer

☒

Smaller reporting company

☒

Emerging growth company

☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

The number of shares outstanding of the registrant's common stock on November 4, 2022, was 6,176,390,489.

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PART I—FINANCIAL INFORMATION

Item 1. Financial Statements

DARKPULSE, INC. Consolidated Balance Sheets

	September 30, 2022 (unaudited)	December 31, 2021
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash	\$ 5,967,984	\$ 3,658,846
Accounts receivable, net	3,531,244	4,223,990
Inventory	260,613	865,019
Unbilled revenue	319,025	497,773
Other current assets	868,597	181,000
TOTAL CURRENT ASSETS	10,947,463	9,426,628
NON-CURRENT ASSETS:		
Property and equipment, net	1,712,950	1,787,824
Operating lease right-of-use assets	2,654,676	2,620,993
Patents, net	304,691	342,962
Intangible assets	3,098,379	3,886,588
Goodwill	15,286,010	17,088,501
Other assets, net	347,864	282,884
TOTAL NON-CURRENT ASSETS	23,404,570	26,009,752
TOTAL ASSETS	\$ 34,352,033	\$ 35,436,380
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>		
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	\$ 4,048,227	\$ 7,844,271
Convertible notes, net	378,263	378,263
Notes payable	2,000,000	2,000,000
Customer deposits	1,907,404	2,802,809
Derivative liability	296,308	533,753
Contract liabilities	4,050,438	3,216,562
Operating lease liabilities - current	1,779,238	364,105
Other current liabilities	2,802,374	2,407,750
TOTAL CURRENT LIABILITIES	17,262,252	19,547,513
NON-CURRENT LIABILITIES:		
Secured debenture	1,090,827	1,172,364
Operating lease liabilities – non-current	1,145,908	2,474,530
Other liabilities – non-current	582,240	676,331
TOTAL NON-CURRENT LIABILITIES	2,818,975	4,323,225
TOTAL LIABILITIES	20,081,227	23,870,738
Commitments and contingencies	—	—
STOCKHOLDERS' EQUITY:		
Preferred stock - Series A (par value \$0.01; 100 shares authorized; 100 and 0 issued and outstanding at September		

30, 2022 and December 31, 2021, respectively)	1	—
Convertible preferred stock - Series D (par value \$0.01; 100,000 shares authorized; 88,235 issued and outstanding at September 30, 2022 and December 31, 2021, respectively)	883	883
Common stock (par value \$0.0001), 20,000,000,000 shares authorized, 6,145,852,186 and 5,197,821,885 shares issued and outstanding at September 30, 2022 and December 31, 2021, respectively	614,586	519,782
Treasury stock, 100,000 shares at September 30, 2022 and December 31, 2021	(1,000)	(1,000)
Paid-in capital in excess of par value	44,148,174	20,248,703
Non-controlling interest in variable interest entity and subsidiary	2,358,227	2,358,227
Accumulated other comprehensive income	(3,198,065)	(284,463)
Accumulated deficit	(29,652,000)	(11,276,490)
TOTAL STOCKHOLDERS' EQUITY	14,270,806	11,565,642
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 34,352,033	\$ 35,436,380

See accompanying notes to consolidated financial statements.

DARKPULSE, INC.
Consolidated Statements of Operations
(unaudited)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2022	2021	2022	2021
REVENUE	\$ 1,431,104	\$ 3,500,970	\$ 7,884,480	\$ 3,500,970
COST OF GOODS SOLD	5,804,875	2,767,239	12,119,352	2,767,239
GROSS PROFIT	(4,373,771)	733,731	(4,234,872)	733,731
OPERATING EXPENSES:				
Selling, general and administrative	1,498,717	406,940	3,579,326	531,793
Salaries, wages and payroll taxes	1,760,531	1,007,453	5,108,775	1,007,453
Professional fees	1,471,264	1,680,600	4,489,966	1,901,572
Depreciation and amortization	597,970	91,222	833,989	116,736
Debt transaction expenses	—	33,000	—	184,950
TOTAL OPERATING EXPENSES	5,328,482	3,219,215	14,012,056	3,742,504
NET OPERATING LOSS	(9,702,253)	(2,485,484)	(18,246,928)	(3,008,773)
OTHER INCOME (EXPENSE):				
Interest income (expense)	168,846	(320,706)	(349,758)	(671,290)
Gain on the forgiveness of debt	231,377	785,240	267,127	785,240
Restructuring costs	—	—	(501,431)	—
Change in fair market of derivative liabilities	70,289	(251,133)	237,445	76,363
Gain/(Loss) on convertible notes	—	432,893	—	741,789
Foreign currency exchange rate variance	426,073	152,361	218,039	152,360
TOTAL INCOME (EXPENSE)	896,585	798,655	(128,578)	1,084,462
NET LOSS	(8,805,668)	(1,686,829)	(18,375,506)	(1,924,311)
Net loss attributable to noncontrolling interests in variable interest entity and subsidiary	92,571	15,838	(255,835)	15,838
Net loss attributable to Company stockholders	\$ (8,898,239)	\$ (1,702,667)	\$ (18,119,671)	\$ (1,940,149)
LOSS PER SHARE:				
Basic	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)
Diluted	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)
WEIGHTED AVERAGE SHARES OUTSTANDING:				
Basic	5,840,449,453	4,835,935,495	5,539,124,247	4,679,197,410
Diluted	5,840,449,453	4,835,935,495	5,539,124,247	4,679,197,410

See accompanying notes to consolidated financial statements.

DARKPULSE, INC.
Consolidated Statements of Operations
(unaudited)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2022	2021	2022	2021
NET LOSS	\$ (8,805,668)	\$ (1,686,829)	\$ (18,375,506)	\$ (1,924,311)
OTHER COMPREHENSIVE GAIN (LOSS)				
Unrealized Gain (Loss) on Foreign Exchange	(1,956,159)	26,539	(2,913,602)	(7,524)
COMPREHENSIVE LOSS	<u>\$ (10,761,827)</u>	<u>\$ (1,660,290)</u>	<u>\$ (21,289,108)</u>	<u>\$ (1,931,835)</u>

See accompanying notes to consolidated financial statements.

DARKPULSE, INC.
Consolidated Statement of Stockholders' Equity
For the Three Months Ended September 30, 2022 and 2021
(unaudited)

	Preferred Stock, Series A		Preferred Stock, Series D		Common Stock		Treasury Stock
	Shares	Amount	Shares	Amount	Shares	Amount	
Balance, December 31, 2021	—	\$ —	88,235	\$ 883	5,197,821,885	\$ 519,782	\$ (1,000)
Common stock issued for cash	—	—	—	—	200,121,061	20,012	—
Foreign currency adjustment	—	—	—	—	—	—	—
Net loss	—	—	—	—	—	—	—
Balance, March 31, 2022	—	\$ —	88,235	\$ 883	5,397,942,946	\$ 539,794	\$ (1,000)
Common stock issued for cash	—	—	—	—	192,488,404	19,250	—
Common stock issued for TerraData acquisition	—	—	—	—	3,725,386	373	—
Stock based compensation	100	1	—	—	—	—	—
Foreign currency adjustment	—	—	—	—	—	—	—
Net loss	—	—	—	—	—	—	—
Balance, June 30, 2022	100	\$ 1	88,235	\$ 883	5,594,156,736	\$ 559,417	\$ (1,000)
Common stock issued for cash	—	—	—	—	551,695,450	55,169	—
Foreign currency adjustment	—	—	—	—	—	—	—
Net loss	—	—	—	—	—	—	—
Balance, September 30, 2022	<u>100</u>	<u>\$ 1</u>	<u>88,235</u>	<u>\$ 883</u>	<u>6,145,852,186</u>	<u>\$ 614,586</u>	<u>\$ (1,000)</u>

	Paid in Capital in Excess of Par Value	Non- Controlling Interest in Subsidiary	Accumulated Other Comprehensive Income	Accumulated Deficit	Total Stockholders' Equity
Balance, December 31, 2021	\$ 20,248,703	\$ 2,358,227	\$ (284,463)	\$ (11,276,490)	\$ 11,565,642
Common stock issued for cash	7,679,988	—	—	—	7,700,000
Foreign currency adjustment	—	—	(219,569)	—	(219,569)
Net loss	—	—	—	(5,384,270)	(5,384,270)
Balance, March 31, 2022	\$ 27,928,691	\$ 2,358,227	\$ (504,032)	\$ (16,660,760)	\$ 13,661,803
Common stock issued for cash	4,696,625	—	—	—	4,715,875
Common stock issued for TerraData acquisition	199,627	—	—	—	200,000
Stock based compensation	(1)	—	—	—	—
Foreign currency adjustment	—	—	(737,874)	—	(737,874)
Net loss	—	—	—	(4,185,572)	(4,185,572)
Balance, June 30, 2022	\$ 32,824,943	\$ 2,358,227	\$ (1,241,906)	\$ (20,846,332)	\$ 13,654,232
Common stock issued for cash	11,323,231	—	—	—	11,378,400
Foreign currency adjustment	—	—	(1,956,159)	—	(1,956,159)
Net loss	—	—	—	(8,805,668)	(8,805,668)
Balance, September 30, 2022	<u>\$ 44,148,174</u>	<u>\$ 2,358,227</u>	<u>\$ (3,198,065)</u>	<u>\$ (29,652,000)</u>	<u>\$ 14,270,806</u>

DARKPULSE, INC.
Consolidated Statement of Stockholders' Equity
For the Three Months Ended September 30, 2022 and 2021
(unaudited)

	Preferred Stock		Common Stock		Treasury Stock	Paid in Capital in Excess of Par Value
	Shares	Amount	Shares	Amount		
Balance, December 31, 2020	88,235	\$ 883	4,088,762,156	\$ 408,876	\$ (1,000)	\$ 1,805,813
Conversion of convertible notes	—	—	600,999,995	60,100	—	189,839
Foreign currency adjustment	—	—	—	—	—	—
Net loss	—	—	—	—	—	—
Balance, March 31, 2021	88,235	\$ 883	4,689,762,151	\$ 468,976	\$ (1,000)	\$ 1,995,652
Conversion of convertible notes	—	—	20,565,040	2,057	—	124,863
Stock based loan acquisition cost	—	—	60,000,000	6,000	—	243,333
Foreign currency adjustment	—	—	—	—	—	—
Net loss	—	—	—	—	—	—
Balance, June 30, 2021	88,235	\$ 883	4,770,327,191	\$ 477,033	\$ (1,000)	\$ 2,363,848
Conversion of convertible notes	—	—	49,719,643	4,972	—	183,679
Issuance of common stock for public offering	—	—	84,727,527	8,473	—	7,991,527
Issuance of common stock for Wildlife Specialist acquisition	—	—	7,500,000	750	—	654,380
Issuance of common stock for Remote Intelligence acquisition	—	—	7,500,000	750	—	733,975
Share-based compensation	—	—	3,194,081	319	—	399,681
Distributions	—	—	—	—	—	—
Foreign currency adjustment - NCI	—	—	—	—	—	—
Foreign currency adjustment	—	—	—	—	—	—
Net loss	—	—	—	—	—	—
Balance, September 30, 2021	88,235	\$ 883	4,922,968,442	\$ 492,297	\$ (1,000)	\$ 12,327,090

	Distributions	Non-Controlling Interest in Subsidiary	Accumulated Other Comprehensive Income	Accumulated Deficit	Total Stockholders' Deficit
Balance, December 31, 2020	\$ —	\$ (12,439)	\$ 315,832	\$ (6,450,170)	\$ (3,932,205)
Conversion of convertible notes	—	—	—	—	249,939
Foreign currency adjustment	—	—	(17,909)	—	(17,909)
Net loss	—	—	—	(51,874)	(51,874)
Balance, March 31, 2021	\$ —	\$ (12,439)	\$ 297,923	\$ (6,502,044)	\$ (3,752,049)
Conversion of convertible notes	—	—	—	—	126,920
Stock based loan acquisition cost	—	—	—	—	249,333
Foreign currency adjustment	—	—	(16,154)	—	(16,154)
Net loss	—	—	—	(185,607)	(185,607)
Balance, June 30, 2021	\$ —	\$ (12,439)	\$ 281,769	\$ (6,687,651)	\$ (3,577,557)
Conversion of convertible notes	—	—	—	—	188,651
Issuance of common stock for public offering	—	—	—	—	8,000,000
Issuance of common stock for Wildlife Specialist acquisition	—	—	—	—	655,130
Issuance of common stock for Remote Intelligence acquisition	—	—	—	—	734,725
Share-based compensation	—	—	—	—	400,000
Distributions	(6,400)	—	—	—	(6,400)
Foreign currency adjustment - NCI	—	(21,674)	—	—	(21,674)
Foreign currency adjustment	—	—	(113,273)	—	(113,273)
Net loss	—	—	—	(1,686,829)	(1,686,829)
Balance, September 30, 2021	\$ (6,400)	\$ (34,113)	\$ 168,496	\$ (8,374,480)	\$ 4,572,773

See accompanying notes to consolidated financial statements.

DARKPULSE, INC.
Consolidated Statements of Cash Flows
(unaudited)

	For the Nine Months Ended September 30,	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (18,375,506)	\$ (1,924,311)
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation and amortization	833,990	116,736
Amortization of loan acquisition costs	—	(480,450)
Stock based loan acquisition costs	—	649,334
Gain on the extinguishment of debt	(267,127)	(785,240)
Restructuring costs	501,431	—
Operating lease expense	(33,683)	(90,946)
Amortization of debt discount	—	404,087
Derivative liability	(237,445)	(741,789)
Changes in operating assets and liabilities:		
Accounts receivable	692,746	(893,366)
Inventory	604,406	410,836
Unbilled revenue	178,748	(563,555)
Contract liability	833,876	(1,439,504)
Other current assets	(730,370)	—
Customer deposits	(895,405)	1,634,397
Accounts payable and accrued expenses	(2,949,406)	(4,362,016)
Operating lease liabilities	86,511	1,398,068

Other current liabilities	300,533	(778,874)
Net cash used by operating activities	(19,456,701)	(7,446,593)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(529,330)	(78,662)
Business acquisitions, net of cash received	–	(152,683)
Deposits		(124,000)
Investment in patents	(64,980)	(191,420)
Net cash used by investing activities	(594,310)	(546,765)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from sale of common stock from offering	23,794,275	8,000,000
Proceeds from convertible notes payable	–	1,102,700
Payments on convertible notes		(384,600)
Proceeds from notes payable	–	2,000,000
Net cash provided by financing activities	23,794,275	10,718,100
NET INCREASE (DECREASE) IN CASH	3,743,264	2,724,742
Effect of exchange rate on cash	(1,434,126)	(160,587)
CASH, beginning of period	3,658,846	337
CASH, end of period	\$ 5,967,984	\$ 2,564,492
Non-cash finance and investing activities for the nine months ended September 30:		
Stock issued for acquisition of TerraData	\$ 200,000	\$ –
Stock issued for convertible notes payable and accrued interest	–	181,560
Issuance of common stock for Wildlife Specialists		750
Issuance of common stock for Remote Intelligence		750
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the nine months ended September 30:		
Interest	\$ –	\$ –
Income taxes	\$ –	\$ –

See accompanying notes to consolidated financial statements.

DARKPULSE, INC.
Notes to the Consolidated Financial Statements
(Unaudited)

NOTE 1 – BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying unaudited condensed consolidated interim financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial statements and do not include all the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. The information furnished reflects all adjustments, consisting only of normal recurring items which are, in the opinion of management, necessary in order to make the financial statements not misleading. The consolidated financial statements as of December 31, 2021 have been audited by an independent registered public accounting firm. The accounting policies and procedures employed in the preparation of these condensed consolidated financial statements have been derived from the audited financial statements of the Company for the year ended December 31, 2021, which are contained in Form 10-K as filed with the Securities and Exchange Commission on April 15, 2022. The consolidated balance sheet as of December 31, 2021 was derived from those financial statements.

Basis of Presentation and Principles of Consolidation

The consolidated financial statements and accompanying notes are prepared in accordance with generally accepted accounting principles of the United States of America ("U.S. GAAP") and the rules and regulations of the U.S. Securities and Exchange Commission for Interim Financial Information. The condensed consolidated financial statements of the Company include the Company and its wholly owned subsidiaries. All intercompany transactions and balances have been eliminated. All adjustments (consisting of normal recurring items) necessary to present fairly the Company's financial position as of September 30, 2022, and the results of operations for three and nine months and cash flows for the nine months ended September 30, 2022 have been included. The results of operations for the three and nine months ended September 30, 2022 are not necessarily indicative of the results to be expected for the full year.

Description of Business

DarkPulse, Inc. ("DPI" or "Company") is a technology company incorporated in 1989 as Klever Marketing, Inc. ("Klever"). Its wholly-owned subsidiary, DarkPulse Technologies Inc. ("DPTI"), originally started as a technology spinout from the University of New Brunswick, Fredericton, Canada. The Company's security and infrastructure monitoring systems have been installed into the Honcut Bridge in Marysville, California creating the first intelligent bridge. Additional applications of this technology will include border security, pipelines, the oil and gas industry, aviation & aerospace and mine safety. Current uses of fiber optic distributed sensor technology have been limited to quasi-static, long-term structural health monitoring due to the time required to obtain the data and its poor precision. The Company's patented BOTDA dark-pulse sensor technology allows for the monitoring of highly dynamic environments due to its greater resolution and accuracy.

The Company's operating units consist of, Optilan HoldCo 3 Limited, a company headquartered in Coventry, United Kingdom ("Optilan") whose focus is in telecommunications, energy, rail, critical network infrastructure, pipeline integrity systems, renewables and security; Remote Intelligence, Limited Liability Company, a company headquartered in Pennsylvania who provides unmanned aerial drone and unmanned ground crawler (UGC) services to a variety of clients from industrial mapping and ecosystem services, to search and rescue, to pipeline security; Wildlife Specialists, Limited Liability Company, a company headquartered in Pennsylvania who provides clients with comprehensive wildlife and environmental assessment, planning, and monitoring services; TerraData Unmanned, PLLC, a company headquartered in Florida who custom manufactures NDAA compliant drones and unmanned ground crawlers to meet the needs of its customers; and TJM Electronics West, Inc., a company headquartered in Arizona who is a U.S. manufacturer and tester of advanced electronics, cables and sub-assemblies specializing in advanced package and complex CCA and hardware.

On April 27, 2018, Klever entered into an Agreement and Plan of Merger (the "Merger Agreement" or the "Merger") involving Klever as the surviving parent corporation and acquiring a privately held New Brunswick corporation known as DarkPulse Technologies Inc. as its wholly owned subsidiary. On July 18, 2018, the parties closed the Merger Agreement, as amended on July 7, 2018, and the name of the Company was subsequently changed to DarkPulse, Inc. With the change of control of the Company, the Merger is being accounted for as a recapitalization in a manner similar to a reverse acquisition.

On July 20, 2018, the Company filed a Certificate of Amendment to its Certificate of Incorporation with the State of Delaware, changing the name of the Company to DarkPulse, Inc. The Company filed a corporate action notification with the Financial Industry Regulatory Authority (FINRA), and the Company's ticker symbol was changed to DPLS.

Reclassifications

Certain amounts in the Company's prior period consolidated financial statements have been reclassified to conform to the current period presentation. These reclassifications have not changed the results of operations of prior periods.

Going Concern Uncertainty

As shown in the accompanying financial statements, during the nine months ended September 30, 2022, the Company reported a net loss of \$18,375,506. As of September 30, 2022, the Company's current liabilities exceeded its current assets by \$6,314,789. As of September 30, 2022, the Company had \$5,967,984 of cash.

The Company will require additional funding during the next twelve months to finance the growth of its current operations and achieve its strategic objectives. These factors, as well as the uncertain conditions that the Company faces relative to capital raising activities, create substantial doubt as to the Company's ability to continue as a going concern. The Company is seeking to raise additional capital principally through private placement offerings and is targeting strategic partners in an effort to finalize the development of its products and generate revenues. The ability of the Company to continue as a going concern is dependent upon the success of future capital offerings or alternative financing arrangements or expansion of its operations. The accompanying financial statements do not include any adjustments that might be necessary should the Company be unable to continue as a going concern. Management is actively pursuing additional sources of financing sufficient to generate enough cash flow to fund its operations through calendar year 2022. However, management cannot make any assurances that such financing will be secured.

Use of Estimates

In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the statements of financial condition, and revenues and expenses for the years then ended. Actual results may differ significantly from those estimates. Significant estimates made by management include, but are not limited to, the assumptions used to calculate stock-based compensation, derivative liabilities, preferred deemed dividend and common stock issued for services.

Cash and Cash Equivalents

The Company considers all highly liquid investments with a maturity of three months or less when acquired to be cash equivalents. The Company places its cash with high credit quality financial institutions. The Company's account at this institution is insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. To reduce its risk associated with the failure of such financial institution, the Company evaluates at least annually the rating of the financial institution in which it holds deposits.

Foreign Currency Translation

The Company's reporting currency is US Dollars. The accounts of one of the Company's subsidiaries is maintained using the appropriate local currency, British Pound ("GBP") as the functional currency. The accounts of one of the Company's subsidiaries is maintained using the appropriate local currency, Canadian Dollar ("CAD") as the functional currency. All assets and liabilities are translated into U.S. Dollars at balance sheet date, shareholders' equity is translated at historical rates and revenue and expense accounts are translated at the average exchange rate for the year or the reporting period. The translation adjustments are reported as a separate component of stockholders' equity, captioned as accumulated other comprehensive (loss) gain. Transaction gains and losses arising from exchange rate fluctuations on transactions denominated in a currency other than the functional currency are included in the statements of operations.

The relevant translation rates are as follows: for the periods ended September 30, 2022 closing rate at 1.113030 USD:GBP, average rate at 1.259161 USD:GBP and for the year ended December 31, 2021 closing rate at 1.353583 USD: GBP, average rate at 1.375671 USD:GBP.

The relevant translation rates are as follows: for the periods ended September 30, 2022 closing rate at 1.3751 CAD:USD, average rate at 1.3213 CAD:USD and for the year ended December 31, 2021 closing rate at 1.2794 CAD:USD, average rate at 1.2534 CAD:USD.

Long-Lived Assets and Goodwill

In accordance with ASC 350-30-65, "Intangibles - Goodwill and Others", the Company assesses the impairment of identifiable intangibles whenever events or changes in circumstances indicate that the carrying value may not be recoverable.

Factors the Company considers to be important which could trigger an impairment review include the following:

- Significant underperformance relative to expected historical or projected future operating results;
- Significant changes in the manner of use of the acquired assets or the strategy for the overall business; and
- Significant negative industry or economic trends.

When the Company determines that the carrying value of intangibles may not be recoverable based upon the existence of one or more of the above indicators of impairment and the carrying value of the asset cannot be recovered from projected undiscounted cash flows, the Company records an impairment charge. The Company measures any impairment based on a projected discounted cash flow method using a discount rate determined by management to be commensurate with the risk inherent in the current business model. Significant management judgment is required in determining whether an indicator of impairment exists and in projecting cash flows.

Property and Equipment

Property and equipment are carried at historical cost less accumulated depreciation. Depreciation is based on the estimated service lives of the depreciable assets and is calculated using the straight-line method. Expenditures that increase the value or productive capacity of assets are capitalized. Fully depreciated assets are retained in the property and

equipment, and accumulated depreciation accounts until they are removed from service. When property and equipment are retired, sold or otherwise disposed of, the asset's carrying amount and related accumulated depreciation are removed from the accounts and any gain or loss is included in operations. Repairs and maintenance are expensed as incurred.

The estimated useful lives of property and equipment are generally as follows:

	Years
Office furniture and fixtures	4
Plant and equipment	4-8
Leasehold Improvements	10
Motor Vehicles	3

Revenue Recognition

The Company's revenues are generated primarily from the sale of our products, which consist primarily of advanced technology solutions for integrated communications and security systems. At contract inception, we assess the goods and services promised in the contract with customers and identify a performance obligation for each. To determine the performance obligation, we consider all products and services promised in the contract regardless of whether they are explicitly stated or implied by customary business practices. The timing of satisfaction of the performance obligation is not subject to significant judgment. We measure revenue as the amount of consideration expected to be received in exchange for transferring goods and services. We generally recognize product revenues at the time of shipment, provided that all other revenue recognition criteria have been met.

The Company recognizes revenue when its customer obtains control of promised goods or services, in an amount that reflects the consideration which we expect to receive in exchange for those goods or services. To determine revenue recognition for arrangements that the Company determines are within the scope of ASC 606, we perform the following five steps: (i) identify the contract(s) with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when (or as) we satisfy a performance obligation. The five-step model is applied to contracts when it is probable that we will collect the consideration we are entitled to in exchange for the goods or services transferred to the customer. At contract inception, once the contract is determined to be within the scope of ASC 606, we assess the goods or services promised within each contract and determine those that are performance obligations and assess whether each promised good or service is distinct. We then recognize revenue in the amount of the transaction price that is allocated to the respective performance obligation when (or as) the performance obligation is satisfied.

In accordance with ASU No. 2016-12, *Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedient*, which is to (1) clarify the objective of the collectability criterion for applying paragraph 606-10-25-7; (2) permit an entity to exclude amounts collected from customers for all sales (and other similar) taxes from the transaction price; (3) specify that the measurement date for noncash consideration is contract inception; (4) provide a practical expedient that permits an entity to reflect the aggregate effect of all modifications that occur before the beginning of the earliest period presented when identifying the satisfied and unsatisfied performance obligations, determining the transaction price, and allocating the transaction price to the satisfied and unsatisfied performance obligations; (5) clarify that a completed contract for purposes of transition is a contract for which all (or substantially all) of the revenue was recognized under legacy GAAP before the date of initial application, and (6) clarify that an entity that retrospectively applies the guidance in Topic 606 to each prior reporting period is not required to disclose the effect of the accounting change for the period of adoption. The amendments of this ASU are effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. There was no impact as a result of adopting this ASU on the financial statements and related disclosures. Based on the terms and conditions of the product arrangements, the Company believes that its products and services can be accounted for separately as its products and services have value to the Company's customers on a stand-alone basis. When a transaction involves more than one product or service, revenue is allocated to each deliverable based on its relative fair value; otherwise, revenue is recognized as products are delivered or as services are provided over the term of the customer contract.

Contract liabilities is shown separately in the unaudited consolidated balance sheets as current liabilities. At September 30, 2022 and December 31, 2021, we had contract liabilities of \$4,050,438 and \$3,216,562, respectively.

Cost of Product Sales and Services

Cost of sales consists primarily of materials, airtime and overhead costs incurred internally and amounts incurred to contract manufacturers to produce our products, airtime and other implementation costs incurred to install our products and train customer personnel, and customer service and third-party original equipment manufacturer costs to provide continuing support to our customers. There are certain costs which are deferred and recorded as prepaids, until such revenue is recognized. Refer to revenue recognition above as to what constitutes deferred revenue.

Concentration of Credit Risk

The Company has no significant concentrations of credit risk.

Related Parties

The Company accounts for related party transactions in accordance with ASC 850 ("Related Party Disclosures"). A party is considered to be related to the Company if the party directly or indirectly or through one or more intermediaries, controls, is controlled by, or is under common control with the Company. Related parties also include principal owners of the Company, its management, members of the immediate families of principal owners of the Company and its management and other parties with which the Company may deal if one party controls or can significantly influence the management or operating policies of the other to an extent that one of the transacting parties might be prevented from fully pursuing its own separate interests. A party which can significantly influence the management or operating policies of the transacting parties or if it has an ownership interest in one of the transacting parties and can significantly influence the other to an extent that one or more of the transacting parties might be prevented from fully pursuing its own separate interests is also a related party.

Leases

Effective January 1, 2019, the Company accounts for its leases under ASC 842, *Leases*. Under this guidance, arrangements meeting the definition of a lease are classified as

operating or financing leases, and are recorded on the consolidated balance sheet as both a right of use asset and lease liability, calculated by discounting fixed lease payments over the lease term at the rate implicit in the lease or the Company's incremental borrowing rate. Lease liabilities are increased by interest and reduced by payments each period, and the right of use asset is amortized over the lease term. For operating leases, interest on the lease liability and the amortization of the right of use asset result in straight-line rent expense over the lease term. For finance leases, interest on the lease liability and the amortization of the right of use asset results in front-loaded expense over the lease term. Variable lease expenses are recorded when incurred.

In calculating the right of use asset and lease liability, the Company has elected to combine lease and non-lease components. The Company excludes short-term leases having initial terms of 12 months or less from the new guidance as an accounting policy election, and recognizes rent expense on a straight-line basis over the lease term.

Derivative Financial Instruments

The Company evaluates the embedded conversion feature within its convertible debt instruments under ASC 815-15 and ASC 815-40 to determine if the conversion feature meets the definition of a liability and, if so, whether to bifurcate the conversion feature and account for it as a separate derivative liability. For derivative financial instruments that are accounted for as liabilities, the derivative instrument is initially recorded at its fair value and is then re-valued at each reporting date, with changes in the fair value reported in the statements of operations. For stock-based derivative financial instruments, the Company uses a lattice model, in accordance with ASC 815-15 "Derivative and Hedging" to value the derivative instruments at inception and on subsequent valuation dates. The classification of derivative instruments, including whether such instruments should be recorded as liabilities or as equity, is evaluated at the end of each reporting period. Derivative instrument liabilities are classified in the balance sheet as current or non-current based on whether net-cash settlement of the derivative instrument could be required within 12 months after the balance sheet date.

Restructuring Costs

The Company accounts for settlement of employment contracts and one-time salary expenses, such as severance, as restructuring costs when incurred due to specific restructuring event. For the quarter ended September 30, 2022, the Company recognized \$501,431 related to the settlement of employment contracts and severance due to employment changes in our subsidiary, Optilan.

Beneficial Conversion Features

The Company evaluates the conversion feature for whether it was beneficial as described in ASC 470-30. The intrinsic value of a beneficial conversion feature inherent to a convertible note payable, which is not bifurcated and accounted for separately from the convertible note payable and may not be settled in cash upon conversion, is treated as a discount to the convertible note payable. This discount is amortized over the period from the date of issuance to the date the note is due using the effective interest method. If the note payable is retired prior to the end of its contractual term, the unamortized discount is expensed in the period of retirement to interest expense. In general, the beneficial conversion feature is measured by comparing the effective conversion price, after considering the relative fair value of detachable instruments included in the financing transaction, if any, to the fair value of the shares of common stock at the commitment date to be received upon conversion.

Fair Value of Financial Instruments

The carrying amounts of the Company's financial assets and liabilities, such as cash, prepaid expenses, and accruals approximate their fair values because of the short maturity of these instruments. The Company believes the carrying value of its secured debenture payable approximates fair value because the terms were negotiated at arm's length.

Stock-based Compensation

Stock-based compensation is accounted for based on the requirements of the Share-Based Payment Topic of ASC 718 which requires recognition in the consolidated financial statements of the cost of employee and director services received in exchange for an award of equity instruments over the period the employee or director is required to perform the services in exchange for the award (presumptively, the vesting period). The ASC also requires measurement of the cost of employee and director services received in exchange for an award based on the grant-date fair value of the award.

Pursuant to ASC Topic 718, for share-based payments to consultants and other third-parties, compensation expense is determined at the "measurement date." The expense is recognized over the vesting period of the award. Until the measurement date is reached, the total amount of compensation expense remains uncertain. The Company initially records compensation expense based on the fair value of the award at the reporting date. Further, ASC Topic 718, provides guidance about which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting in Topic 718, such as the repricing of share options, which would revalue those options and the accounting for the cancellation of an equity award whether a replacement award or other valuable consideration is issued in conjunction with the cancellation. If not, the cancellation is viewed as a replacement and not a modification, with a repurchase price of \$0.

Income (Loss) Per Common Share

The Company accounts for earnings per share pursuant to ASC 260, Earnings per Share, which requires disclosure on the financial statements of "basic" and "diluted" earnings (loss) per share. Basic earnings (loss) per share are computed by dividing net income (loss) by the weighted average number of common shares outstanding for the year. Diluted earnings (loss) per share is computed by dividing net income (loss) by the weighted average number of common shares outstanding plus common stock equivalents (if dilutive) related to stock options and warrants for each year. In periods where the Company has a net loss, all dilutive securities are excluded.

For the nine months ended September 30, 2022, there were no stock options outstanding. For the nine months ended September 30, 2022, common stock equivalents related to convertible preferred stock and convertible debt have not been included in the calculation of diluted loss per common share because they are anti-dilutive. Therefore, basic loss per common share is the same as diluted loss per common share. There are 28,316,441 common shares reserved for the potential conversion of the Company's convertible debt.

Recently Issued Accounting Pronouncements

The Company has reviewed the accounting pronouncements issued during the nine months ended September 30, 2022 and concluded they were either not applicable or not expected to have a material impact on the Company's condensed consolidated financial statements.

NOTE 2 – REVENUE

The following table is a summary of the Company's timing of revenue recognition for the three and nine months ended September 30, 2022 and 2021:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Timing of revenue recognition:				
Services and products transferred at a point in time	\$ 1,431,104	\$ 3,500,970	\$ 7,884,480	\$ 3,500,970
Services and products transferred over time	—	—	—	—
Total revenue	<u>\$ 1,431,104</u>	<u>\$ 3,500,970</u>	<u>\$ 7,884,480</u>	<u>\$ 3,500,970</u>

The Company disaggregates revenue by source and geographic destination to depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

Revenue by source consisted of the following for the three and nine months ended September 30, 2022 and 2021:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Revenue by products and services:				
Products	\$ 154,534	\$ 1,533,377	\$ 1,246,610	\$ 1,533,377
Services	1,276,570	1,967,593	6,619,870	1,967,593
Total revenue	<u>\$ 1,431,104</u>	<u>\$ 3,500,970</u>	<u>\$ 7,884,480</u>	<u>\$ 3,500,970</u>

Revenue by geographic destination consisted of the following for the three and nine months ended September 30, 2022 and 2021:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Revenue by geography:				
North America	\$ 590,028	\$ 1,533,377	\$ 1,124,462	\$ 1,533,377
International	841,076	1,967,593	6,760,018	1,967,593
Total revenue	<u>\$ 1,431,104</u>	<u>\$ 3,500,970</u>	<u>\$ 7,884,480</u>	<u>\$ 3,500,970</u>

Contract Balances

The Company records contract assets when it has a right to consideration and records accounts receivable when it has an unconditional right to consideration. Contract liabilities consist of cash payments received (or unconditional rights to receive cash) in advance of fulfilling performance obligations. As of September 30, 2022, the Company did not have a contract assets balance.

The following table is a summary of the Company's opening and closing balances of contract liabilities related to contracts with customers.

	Total
Balance at December 31, 2021	\$ 3,216,562
Additions through advance billings to or payments from vendors	4,192,899
Revenue recognized from current period advance billings to or payments from vendors	(3,359,023)
Balance at September 30, 2022	<u>\$ 4,050,438</u>

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following as of September 30, 2022 and December 31, 2021:

	September 30, 2022	December 31, 2021
Accounts receivable	\$ 3,531,244	\$ 4,223,990
Less: Allowance for doubtful accounts	—	—
Total accounts receivable	<u>\$ 3,531,244</u>	<u>\$ 4,223,990</u>

NOTE 4 – INVENTORY

Inventory consisted of the following as of September 30, 2022 and December 31, 2021:

	September 30, 2022	December 31, 2021
Raw materials	\$ 162,835	\$ 416,180
Work in progress	54,182	436,891
Finished goods	43,596	11,948
Total inventory	260,613	865,019
Reserve	—	—
Total inventory, net	<u>\$ 260,613</u>	<u>\$ 865,019</u>

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of September 30, 2022 and December 31, 2021:

	September 30, 2022	December 31, 2021
Property and equipment	\$ 2,041,701	\$ 1,867,794
Leasehold improvements	46,934	42,396
	2,088,635	1,910,190
Less - accumulated depreciation	(375,685)	(122,366)
	<u>\$ 1,712,950</u>	<u>\$ 1,787,824</u>

NOTE 6 – ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consisted of the following as of September 30, 2022 and December 31, 2021:

	September 30, 2022	December 31, 2021
Accounts payable	\$ 3,288,094	\$ 7,209,945
Accrued liabilities	760,133	634,326
Total accounts payable and accrued expenses	<u>\$ 4,048,227</u>	<u>\$ 7,844,271</u>

NOTE 7 – LEASES

We adopted ASC 842 "Leases" using the modified retrospective approach, electing the practical expedient that allows us not to restate our comparative periods prior to the adoption of the standard on January 1, 2019. As such, the disclosures required under ASC 842 are not presented for periods before the date of adoption.

The following was included in our balance sheet as of September 30, 2022:

Operating leases	September 30, 2022
<i>Assets</i>	
ROU operating lease assets	\$ 2,654,676
<i>Liabilities</i>	
Current portion of operating lease	\$ 1,779,238
Operating lease, net of current portion	\$ 1,145,908
Total operating lease liabilities	<u>\$ 2,925,146</u>

The weighted average remaining lease term and weighted average discount rate at September 30, 2022 were as follows:

	September 30, 2022
Weighted average remaining lease term (years)	
Operating leases	7.53
Weighted average discount rate	
Operating leases	6.00%

Operating Leases

On March 9, 2022, the Company entered into an operating lease agreement to rent office space in Houston, Texas. This ten-year agreement commenced March 9, 2022 with an annual rent of approximately \$81,000 with the first twelve months rent free.

The following table reconciles future minimum operating lease payments to the discounted lease liability as of September 30, 2022:

2022	122,777
2023	512,373
2024	497,411
2025	506,716
2026 and later	2,039,800
Total lease payments	3,679,077
Less imputed interest	(753,931)
Total lease obligations	2,925,146
Less current obligations	(1,779,238)
Long-term lease obligations	<u>\$ 1,145,908</u>

NOTE 8 – GOODWILL AND OTHER INTANGIBLE ASSETS**Goodwill**

The following table sets forth the changes in the carrying amount of goodwill for the nine months ended September 30, 2022:

	Total
Balance at December 31, 2021	\$ 17,088,501
Exchange rate variation	(1,802,491)
Balance at September 30, 2022	<u>\$ 15,286,010</u>

Intangible Assets - Intrusion Detection Intellectual Property

The Company relies on patent laws and restrictions on disclosure to protect its intellectual property rights. As of September 30, 2022, the Company held three U.S. and foreign patents on its intrusion detection technology, which expire in calendar years 2025 through 2034 (depending on the payment of maintenance fees).

The DPTI issued patents cover a System and Method for Brillouin Analysis, a System and Method for Resolution Enhancement of a Distributed Sensor, and a Flexible Fiber Optic Deformation System Sensor and Method. Maintenance of intellectual property rights and the protection thereof is important to our business. Any patents that may be issued may not sufficiently protect the Company's intellectual property and third parties may challenge any issued patents. Other parties may independently develop similar or competing technology or design around any patents that may be issued to the Company. The Company cannot be certain that the steps it has taken will prevent the misappropriation of its intellectual property, particularly in foreign countries where the laws may not protect proprietary rights as fully as in the United States. Further, the Company may be required to enforce its intellectual property or other proprietary rights through litigation, which, regardless of success, could result in substantial costs and diversion of management's attention. Additionally, there may be existing patents of which the Company is unaware that could be pertinent to its business, and it is not possible to know whether there are patent applications pending that the Company's products might infringe upon, since these applications are often not publicly available until a patent is issued or published.

For the nine months ended September 30, 2022 and 2021, the Company amortized \$38,271 and \$38,271, respectively. Future amortization of intangible assets is as follows:

2022	\$ 12,757
2023	51,028
2024	51,028
2025	51,028
2026	51,028
Thereafter	87,822
Total	<u>\$ 304,691</u>

NOTE 9 – DEBT AGREEMENTS

Secured Debenture

DPTI issued a convertible Debenture to the University in exchange for the Patents assigned to the Company, in the amount of Canadian \$1,500,000, or US \$1,491,923 on December 16, 2010, the date of the Debenture. On April 24, 2017 DPTI issued a replacement secured term Debenture in the same C\$1,500,000 amount as the original Debenture. The interest rate is the Bank of Canada Prime overnight rate plus 1% per annum. The Debenture had an initial required payment of Canadian \$42,000 (US\$33,385) due on April 24, 2018 for reimbursement to the University of its research and development costs, and this has been paid. Interest-only maintenance payments are due annually starting after April 24, 2018. Payment of the principal begins on the earlier of (a) three years following two consecutive quarters of positive earnings before interest, taxes, depreciation and amortization, (b) six years from April 24, 2017, or (c) in the event DPTI fails to raise defined capital amounts or secure defined contract amounts by April 24 in the years 2018, 2019, and 2020. The Company has raised funds in excess of the amount required by April 24, 2018. The principal repayment amounts will be due yearly over a six-year period in the amount of Canadian Dollars \$62,500. Based on the exchange rate between the Canadian Dollar and the U.S. Dollar on September 30, 2022, the quarterly principal repayment amounts will be US\$49,750. The Debenture is secured by the Patents assigned by the University to DPTI by an Assignment Agreement on December 16, 2010. DPTI has pledged the Patents, and granted a lien on them pursuant to an Escrow Agreement dated April 24, 2017, between DPTI and the University.

The Debenture was initially recorded at the \$1,491,923 equivalent US Dollar amount of Canadian \$1,500,000 as of December 16, 2010, the date of the original Debenture. The liability is being adjusted quarterly based on the current exchange value of the Canadian dollar to the US dollar at the end of each quarter. The adjustment is recorded as unrealized gain or loss in the change of the value of the two currencies during the quarter. The amounts recorded as an unrealized loss for the three months ended September 30, 2022 and 2021, were \$74,538 and \$26,539 respectively. These amounts are included in Accumulated Other Comprehensive Loss in the Equity section of the consolidated balance sheet, and as Unrealized Loss on Foreign Exchange on the consolidated statement of comprehensive loss. The Debenture also includes a provision requiring DPTI to pay the University a 2% royalty on sales of any and all products or services which incorporate the Patents for a period of five years from April 24, 2018.

For the nine months ended September 30, 2022, and 2021, the Company recorded interest expense of \$36,307 and \$39,001, respectively.

As of September 30, 2022 the debenture liability totaled \$1,090,827, all of which was long term.

Future minimum required payments over the next 5 years and thereafter are as follows:

Period ending September 30,	
2023	\$ —
2024	—
2025	—
2026	—
2027 and after	1,090,827
Total	<u>\$ 1,090,827</u>

Convertible Debt Securities

The Company uses the Black-Scholes Model to calculate the derivative value of its convertible debt. The valuation result generated by this pricing model is necessarily driven by the value of the underlying common stock incorporated into the model. The values of the common stock used were based on the price at the date of issue of the debt security as of

September 30, 2022. Management determined the expected volatility of 124.08%, a risk-free rate of interest of 4.05%, and contractual lives of the debt of three months. The table below details the Company's four outstanding convertible notes, with totals for the face amount, amortization of discount, initial loss, change in the fair market value, and the derivative liability.

	Face Amount	Debt Discount	Initial Loss	Change in FMV	Derivative Balance 9/30/2022
	\$ 90,228	\$ —	\$ 58,959	\$ (16,827)	\$ 68,965
	162,150	—	74,429	(30,240)	123,938
	72,488	—	11,381	(13,519)	55,405
	53,397	—	7,850	(9,706)	48,000
Subtotal	378,263	—	152,619	(70,292)	296,308
Transaction expense	—	—	—	—	—
	<u>\$ 378,263</u>	<u>\$ —</u>	<u>\$ 152,619</u>	<u>\$ (70,292)</u>	<u>\$ 296,308</u>

As of September 30, 2022 and December 31, 2021 respectively, there was \$378,263 and of convertible debt outstanding, net of debt discount of \$0. As of September 30, 2022 and December 31, 2021 respectively, there was a derivative liability of \$296,308 and \$533,753 related to convertible debt securities.

NOTE 10 - STOCKHOLDERS' EQUITY

As of September 30, 2022, there were 6,145,852,186 shares of common stock and 88,335 shares of preferred stock issued and outstanding.

Preferred Stock

In accordance with the Company's Certificate of Incorporation, the Company has authorized a total of 2,000,000 shares of preferred stock, par value \$0.01 per share, for all classes. As of September 30, 2022, and December 31, 2021, there were 88,335 and 88,235, respectively total preferred shares issued and outstanding for all classes.

On June 22, 2022, the Board of Directors of the Company approved the filing of an amendment to the Company's Certificate of Incorporation (the "Certificate of Incorporation"), in the form of a Certificate of Designation that authorized for issuance of up to 100 shares of a new series of Preferred Stock, par value \$0.01 per share, of the Company designated "Series A Super Voting Preferred Stock" and established the rights, preferences and limitations thereof. The Board authorized the Series A Preferred Stock pursuant to the authority given to the Board under the Certificate of Incorporation, which authorizes the issuance of up to 2,000,000 shares of Preferred Stock, par value \$0.01 per share, and authorizes the Board, by resolution, to establish any or all of the unissued shares of Preferred Stock, not then allocated to any series into one or more series and to fix and determine the designation of each such shares, the number of shares which shall constitute such series and certain preferences, limitations and relative rights of the shares of each series so established.

The holders of the Series A Preferred Stock shall be entitled to vote, on a pro-rata basis, on all matters subject to a vote or written consent of the holders of the Company's Common Stock, and on all such matters, the shares of Series A Preferred Stock shall be entitled to that number of votes equal to the number of votes that all issued and outstanding shares of Common Stock and all other securities of the Company are entitled to, as of any such date of determination, on a fully diluted basis, *plus* one million (1,000,000) votes, it being the intention that the holders of the Series A Preferred Stock shall have effective voting control of the Company, on a fully diluted basis.

Unless approved by a majority vote of the holders of Common Stock, the Series A Super Voting Preferred Stock will terminate five years after the issuance date, which is June 24, 2027.

During the three months ended September 30, 2022, the Company issued 100 shares of Series A preferred stock.

Common Stock

In accordance with the Company's bylaws, the Company has authorized a total of 20,000,000,000 shares of common stock, par value \$0.0001 per share. As of September 30, 2022 and December 31, 2021, there were 6,145,852,186 and 5,197,821,885 common shares issued and outstanding.

During the three months ended September 30, 2022, the Company issued the following shares of common stock:

On July 1, 2022, the Company issued 33,525,465 shares of common stock for \$556,750.

On July 11, 2022, the Company issued 32,756,532 shares of common stock for \$556,750.

On July 20, 2022, the Company issued 29,386,519 shares of common stock for \$556,750.

On July 28, 2022, the Company issued 35,884,040 shares of common stock for \$556,750.

On August 10, 2022, the Company issued 44,505,857 shares of common stock for \$680,110.

On August 18, 2022, the Company issued 54,574,909 shares of common stock for \$948,863.

On August 25, 2022, the Company issued 105,255,759 shares of common stock for \$2,264,961.

On August 30, 2022, the Company received 33,898,377 shares of common stock for cancellation from a previous note holder.

On September 2, 2022, the Company issued 140,073,757 shares of common stock for \$3,000,000.

On September 14, 2022, the Company issued 79,092,686 shares of common stock for \$1,757,466.

On September 30, 2022, the Company issued 30,538,303 shares of common stock for \$500,000.

Stock Options

During the three months ended September 30, 2022, the Company did not issue any stock options and had no stock options outstanding at September 30, 2022.

Public Offerings

Financings

On November 9, 2021, we entered an Equity Financing Agreement (the "**Equity Financing Agreement**") and Registration Rights Agreement (the "**GHS Registration Rights Agreement**") with GHS, pursuant to which GHS agreed to purchase up to \$30,000,000 in shares of our Common Stock, from time to time over the course of 24 months (the "**Contract Period**") after effectiveness of a registration statement on Form S-1 (the "**Registration Statement**") of the underlying shares of Common Stock.

The GHS Registration Rights Agreement provides that we shall (i) use our best efforts to file with the SEC a Registration Statement within 45 days of the date of the GHS Registration Rights Agreement; and (ii) have the Registration Statement declared effective by the SEC within 30 days after the date the GHS Registration Statement is filed with the SEC, but in no event more than 90 days after the GHS Registration Statement is filed.

Below is a table of all puts made by the Company under the Equity Financing Agreement during 2022:

Date of Put	Number of Shares Sold	Total Proceeds, Net of Discounts	Effective Price per Share	Net Proceeds
1/12/22	23,372,430	\$1,150,000	\$0.054124	\$1,033,975
1/21/22	33,454,988	\$1,150,000	\$0.037812	\$1,033,975
2/7/22	16,040,411	\$500,000	\$0.0342884	\$448,975
3/23/22	29,257,395	\$1,500,000	\$0.056396	\$1,348,975
4/11/22	23,746,816	\$1,000,000	\$0.04211091	\$898,975
5/3/22	29,522,276	\$1,000,000	\$0.03387273	\$898,975
5/13/22	26,100,979	\$556,750	\$0.0213306	\$500,050
5/23/22	25,025,540	\$556,750	\$0.0222473	\$500,050
6/1/22	25,901,921	\$556,750	\$0.02149454	\$500,050
6/16/22	23,799,766	\$402,086	\$0.018584	\$360,852

On February 21, 2022, we sold 75,798,921 shares of our Common Stock at \$0.032982 per share for total consideration of \$2,500,000.

On March 3, 2022, we sold 16,579,569 shares of our Common Stock at \$0.0301576 per share for total consideration of \$500,000.

On March 14, 2022, we sold 5,617,347 shares of our Common Stock at \$0.071208 per share for total consideration of \$400,000.

On May 27, we entered an Equity Financing Agreement (the "**EFA**") and Registration Rights Agreement (the "**RRA**") with GHS, pursuant to which GHS agreed to purchase up to \$70,000,000 in shares of our Common Stock, from time to time over the course of 24 months after effectiveness of a registration statement on Form S-1 (the "**Registration Statement**") of the underlying shares of Common Stock.

The RRA provides that we shall (i) use our best efforts to file with the SEC a Registration Statement within 45 days of the date of the GHS Registration Rights Agreement; and (ii) have the Registration Statement declared effective by the SEC within 30 days after the date the GHS Registration Statement is filed with the SEC, but in no event more than 90 days after the GHS Registration Statement is filed.

Below is a table of all puts made by the Company under the EFA during 2022:

Date of Put	Number of Shares Sold	Total Proceeds, Net of Discounts	Effective Price per Share	Net Proceeds
6/24/22	38,391,106	\$643,539	\$0.01978	\$578,160
7/1/22	33,525,465	\$556,750	\$0.019596	\$500,050
7/11/22	32,756,532	\$556,750	\$0.01699661	\$550,050
7/20/22	29,386,519	\$556,750	\$0.01894558	\$550,050
7/28/22	35,884,040	\$556,750	\$0.018308	\$500,050
8/10/22	44,505,857	\$680,109	\$0.015281	\$611,073
8/18/22	54,574,909	\$948,863	\$0.017386441	\$852,952
8/25/22	105,255,759	\$2,264,961	\$0.021518644	\$2,128,038
9/2/22	140,073,757	\$3,000,000	\$0.021417288	\$2,788,975
9/14/22	79,092,686	\$1,757,466	\$0.022220339	\$1,757,466
9/30/22	30,538,303	\$500,000	\$0.0163729	\$463,975

NOTE 11 – RELATED PARTY TRANSACTIONS

The Company follows subtopic 850-10 of the FASB Accounting Standards Codification for the identification of related parties and disclosure of related party transactions. Pursuant to Section 850-10-20 the related parties include a) affiliates of the Company; b) Entities for which investments in their equity securities would be required, absent the election of the fair value option under the Fair Value Option Subsection of Section 825-10-15, to be accounted for by the equity method by the investing entity; c) trusts for the benefit of employees, such as pension and profit-sharing trusts that are managed by or under the trusteeship of management; d) principal owners of the Company; e) management of the Company; f) other parties with which the Company may deal if one party controls or can significantly influence the management or operating policies of the other to an extent that one of the transacting parties might be prevented from fully pursuing its own separate interests; and g) Other parties that can significantly influence the management or operating policies of the transacting parties or that have an ownership interest in one of the transacting parties and can significantly influence the other to an extent that one or more of the transacting parties might be prevented from fully pursuing its own separate interests. The financial statements shall include disclosures of material related party transactions, other than compensation arrangements, expense allowances, and other similar items in the ordinary course of business. However, disclosure of transactions that are eliminated in the preparation of consolidated or combined financial statements is not required in those statements. The disclosures shall include: a) the nature of the relationship(s) involved; b) a description of the transactions, including transactions to which no amounts or nominal amounts were ascribed, for each of the periods for

which income statements are presented, and such other information deemed necessary to an understanding of the effects of the transactions on the financial statements; c) the dollar amounts of transactions for each of the periods for which income statements are presented and the effects of any change in the method of establishing the terms from that used in the preceding period; and d) amounts due from or to related parties as of the date of each balance sheet presented and, if not otherwise apparent, the terms and manner of settlement.

During the nine months ended September 30, 2022 and 2021, certain executives of the Company received \$270,000 in Directors fees from Optilan for being members of Optilan's Board of Directors with an additional \$90,000 accrued but unpaid.

NOTE 12 - COMMITMENTS & CONTINGENCIES

Potential Royalty Payments

The Company, in consideration of the terms of the debenture to the University of New Brunswick, shall pay to the University a two percent royalty on sales of any and all products or services which incorporate the Company's patents for a period of five years from April 24, 2018.

Legal Matters

DarkPulse, Inc. v. Twitter, Inc.

As disclosed in greater detail in the Company's Form 10-K, filed April 15, 2022, the Company's investigation of the Investor News matter remains ongoing.

On October 21, 2022, the Company filed a petition against Twitter, Inc. in the Supreme Court of the State of New York County of New York to compel disclosure of the owner(s) and operator(s) of two certain Twitter accounts: "Mike Wood" (@MIKEWOOD) and "Bull Meechum" (@BullMeechum3). The petition seeks disclosure of the owner(s) and operator(s) of the aforementioned accounts so the Company can commence an action against such individuals for damages arising from false, misleading, and untrue statements made by the same.

On October 25, 2022, the court signed an order to show cause directing Twitter to show cause on or before November 4, 2022 as to why an order compelling disclosure of the identities of the owner(s) / operator(s) of the @MIKEWOOD and @BullMeechum3 Twitter accounts should not be made.

Carebourn Capital, L.P. v. DarkPulse, Inc.

As disclosed in greater detail in the Company's Form 10-Q, filed August 10, 2022, the Company remains in active litigation with Carebourn Capital, L.P. ("Carebourn") in Minnesota State Court. There are no material updates to this litigation.

The Company remains committed to actively litigating its affirmative defenses and claims for relief under the Securities Exchange Act of 1934.

More Capital, LLC v. DarkPulse, Inc. et al

As disclosed in greater detail in the Company's Form 10-Q, filed August 10, 2022, the Company remains in active litigation with More Capital, LLC ("More") in Minnesota State Court. There are no material updates to this litigation.

The Company remains committed to actively litigating its affirmative defenses and claims for relief under the Securities Exchange Act of 1934.

Goodman et al. v. DarkPulse, Inc.

As disclosed in greater detail in the Company's Form 10-Q, filed November 15, 2021, on September 10, 2021, Stephen Goodman, Mark Banash, and David Singer ("Former Officers") commenced suit against the Company in Arizona Superior Court, Maricopa County.

As of the date hereof, the Company is engaged in settlement negotiations with the Former Officers.

DarkPulse, Inc. v. FirstFire Global Opportunities Fund, LLC, and Eli Fireman

As disclosed in greater detail in the Company's Form 10-Q, filed August 10, 2022, the Company remains in active litigation with FirstFire Global Opportunities Fund, LLC ("FirstFire"), and Eli Fireman ("Fireman") (FirstFire and Fireman together, the "FirstFire Parties").

As previously disclosed therein, the FirstFire Parties' motion to dismiss the Company's first amended complaint has been fully submitted to the Court. On May 26, 2022, the FirstFire Parties requested oral arguments on their motion to dismiss. As of the date hereof, oral arguments have not been scheduled and, further, no decision has been rendered on the FirstFire Parties' motion to dismiss.

The Company remains committed to actively litigating its claims for relief under the Securities Exchange Act of 1934.

DarkPulse, Inc. v. EMA Financial, LLC et al

As disclosed in greater detail in the Company's Form 10-Q, filed August 10, 2022, the Company remains in active litigation with EMA Financial, LLC ("EMA"), EMA Group, Inc. ("EMA Group"), and Felicia Preston ("Preston") (EMA, EMA Group, and Preston together, the "EMA Parties").

As of July 22, 2022, the EMA Parties' motion to dismiss the Company's first amended complaint is fully submitted. As of the date hereof, no decision has been rendered on the EMA Parties' motion to dismiss.

The Company remains committed to actively litigating its claims for relief under the Securities Exchange Act of 1934 and Racketeer Influenced and Corrupt Organizations Act.

From time to time, we may become involved in litigation relating to claims arising out of our operations in the normal course of business. We are not currently involved in any pending legal proceeding or litigation and, to the best of our knowledge, no governmental authority is contemplating any proceeding to which we are a party or to which any of our properties is subject, which would reasonably be likely to have a material adverse effect on our business, financial condition and operating results.

NOTE 13 – SUBSEQUENT EVENTS

On October 12, 2022 the Company entered into and closed the Purchase Agreement pursuant to which the Company purchased 2,623,120 shares of Class B Common Stock and 4,298,496 Private Placement Warrants, each of which is exercisable to purchase one share of Class A Common Stock of Gladstone Acquisition Corp., a Delaware corporation (NASDAQ: GLEE) (the "SPAC"), from Gladstone Sponsor, LLC ("Original Sponsor") for \$1,500,000 (the "Purchase Price").

In addition to the payment of the Purchase Price, the Company also assumed the following obligations: (i) responsibility for all of SPAC's public company reporting obligations, (ii) the right to provide an extension payment and extend the deadline of the SPAC to complete an initial business combination from 15 months from August 9, 2021 to 18 months for an additional \$1,150,000, and (iii) all other obligations and liabilities of the Original Sponsor related to the SPAC.

On October 14, 2022, the Company and GHS agreed that the Company would issue and sell to GHS, and GHS would purchase from the Company, 30,538,303 shares of Common Stock for total proceeds to the Company, net of discounts, of \$500,000, at an effective price of \$0.0140339 per share (the "Closing"). The Company received approximately \$463,975 in net proceeds from the Closing after deducting the fees and other estimated offering expenses payable by the Company. The Company used the net proceeds from the Closing for working capital and for general corporate purposes.

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

This Management's Discussion and Analysis of Financial Condition and Results of Operations contain certain forward-looking statements. Historical results may not indicate future performance. Our forward-looking statements reflect our current views about future events; are based on assumptions and are subject to known and unknown risks and uncertainties that could cause actual results to differ materially from those contemplated by these statements. Factors that may cause differences between actual results and those contemplated by forward-looking statements include, but are not limited to, those discussed in the "Risk Factors" section of our Annual Report on Form 10-K for the year ended December 31, 2021. We undertake no obligation to publicly update or revise any forward-looking statements, including any changes that might result from any facts, events, or circumstances after the date hereof that may bear upon forward-looking statements. Furthermore, we cannot guarantee future results, events, levels of activity, performance, or achievements

Critical Accounting Policies

The following discussions are based upon our financial statements and accompanying notes, which have been prepared in accordance with accounting principles generally accepted in the United States.

The preparation of these financial statements requires management to make estimates, judgments and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosures of contingencies. We continually evaluate the accounting policies and estimates used to prepare the financial statements. We base our estimates on historical experiences and assumptions believed to be reasonable under current facts and circumstances. Actual amounts and results could differ from these estimates made by management.

Business Overview

DarkPulse, Inc., a Delaware corporation (the "Company" or "DarkPulse"), is a technology and research and development company focused on the manufacture, sale, installation, and monitoring of laser sensing systems based on its patented BOTDA dark-pulse sensor technology. The Company develops, markets, and distributes a full suite of engineering, monitoring, installation and security management solutions for critical infrastructure/key resources to both industries and governments. Coupled with our patented BOTDA dark-pulse technology (the "DarkPulse Technology"), DarkPulse provides its customers a comprehensive data stream of critical metrics for assessing the health and security of their infrastructure. Our systems provide rapid, precise analysis and responsive activities predetermined by the end-user customer. The Company's activities since inception have consisted of developing various solutions, obtaining patents and trademarks related to its technology, raising capital, acquisition of companies deemed to expand global operations and/or capabilities, creating key partnerships to expand our suite of products and services. Our activities have evolved to a sales-focused mission since the successful completion of our BOTDA system in December 2020.

Headquartered in Houston, DarkPulse is a globally-based technology company with presence through its subsidiaries in the United Kingdom, India, Dubai, Abu Dhabi, Turkey, Azerbaijan, Iraq, Libya, Egypt, Brazil, United States and Canada. In addition to the Company's BOTDA systems, through a series of strategic acquisitions the Company offers the manufacture, sale, installation, and monitoring of laser sensing systems, oil and gas pipeline leak detection, physical security services, telecommunications and satellite communications services, artificial intelligence-based camera systems, railway monitoring services, drone and rover systems, and Big Data as a Service ("BDaaS"). The Company is focused on expanding services through acquisitions and partnerships to address global infrastructure and critical environmental resource challenges.

DarkPulse offers a full suite of engineering and environmental solutions that provide safety and security infrastructure projects. The sensing and monitoring capabilities offered by DarkPulse and our subsidiary companies operate in the air, land, sea. Our patented technology provides rapid, precise analysis to protect and safeguard oil and gas pipelines above or below ground, physical security countermeasures, mining operations, and other critical infrastructure/key resources subject to vulnerability or risk. Our patented Brillouin scattering distributed fiber sensing system is best in class. The Company is able to monitor areas in around critical infrastructure buried or above ground including pipelines 100km or more in length and/ or localized pipes as small as eight CM DIA, detecting internal anomalies before catastrophic failure. We are developing an intelligent rock bolt to prevent casualties and fatalities in mining operations and include a real time sensor system that can detect the location and movement of personnel and equipment throughout a mining operation. We monitor airflow, air quality, temperature, seismic events, etc. Our sensors cover extended areas, protecting an area from intrusion by detecting events at any location along the sensing cable. Working safely every day is our first core value and employees at DarkPulse and our subsidiary companies are recognized experts in their fields, providing comprehensive services for all our clients' needs.

Our Operating Units

The Company's operating units consist of, Optilan, a company headquartered in Coventry, United Kingdom whose focus is in telecommunications, energy, rail, critical network

infrastructure, pipeline integrity systems, renewables and security; Remote Intelligence, Limited Liability Company, a company headquartered in Pennsylvania who provides unmanned aerial drone and unmanned ground crawler (UGC) services to a variety of clients from industrial mapping and ecosystem services, to search and rescue, to pipeline security; Wildlife Specialists, Limited Liability Company, a company headquartered in Pennsylvania who provides clients with comprehensive wildlife and environmental assessment, planning, and monitoring services; TerraData Unmanned, PLLC, a company headquartered in Florida who custom manufactures NDAA compliant drones and unmanned ground crawlers to meet the needs of its customers; and TJM Electronics West, Inc., a company headquartered in Arizona who is a U.S. manufacturer and tester of advanced electronics, cables and sub-assemblies specializing in advanced package and complex CCA and hardware.

Recent Events

Financings

On November 9, 2021, we entered an Equity Financing Agreement (the "**Equity Financing Agreement**") and Registration Rights Agreement (the "**GHS Registration Rights Agreement**") with GHS, pursuant to which GHS agreed to purchase up to \$30,000,000 in shares of our Common Stock, from time to time over the course of 24 months (the "**Contract Period**") after effectiveness of a registration statement on Form S-1 (the "**Registration Statement**") of the underlying shares of Common Stock.

The GHS Registration Rights Agreement provides that we shall (i) use our best efforts to file with the SEC a Registration Statement within 45 days of the date of the GHS Registration Rights Agreement; and (ii) have the Registration Statement declared effective by the SEC within 30 days after the date the GHS Registration Statement is filed with the SEC, but in no event more than 90 days after the GHS Registration Statement is filed.

Below is a table of all puts made by the Company under the Equity Financing Agreement during 2022:

Date of Put	Number of Shares Sold	Total Proceeds, Net of Discounts	Effective Price per Share	Net Proceeds
1/12/22	23,372,430	\$1,150,000	\$0.054124	\$1,033,975
1/21/22	33,454,988	\$1,150,000	\$0.037812	\$1,033,975
2/7/22	16,040,411	\$500,000	\$0.0342884	\$448,975
3/23/22	29,257,395	\$1,500,000	\$0.056396	\$1,348,975
4/11/22	23,746,816	\$1,000,000	\$0.04211091	\$898,975
5/3/22	29,522,276	\$1,000,000	\$0.03387273	\$898,975
5/13/22	26,100,979	\$556,750	\$0.0213306	\$500,050
5/23/22	25,025,540	\$556,750	\$0.0222473	\$500,050
6/1/22	25,901,921	\$556,750	\$0.02149454	\$500,050
6/16/22	23,799,766	\$402,086	\$0.018584	\$360,852

On February 21, 2022, we sold 75,798,921 shares of our Common Stock at \$0.032982 per share for total consideration of \$2,500,000.

On March 3, 2022, we sold 16,579,569 shares of our Common Stock at \$0.0301576 per share for total consideration of \$500,000.

On March 14, 2022, we sold 5,617,347 shares of our Common Stock at \$0.071208 per share for total consideration of \$400,000.

On May 27, we entered an Equity Financing Agreement (the "**EFA**") and Registration Rights Agreement (the "**RRA**") with GHS, pursuant to which GHS agreed to purchase up to \$70,000,000 in shares of our Common Stock, from time to time over the course of 24 months after effectiveness of a registration statement on Form S-1 (the "**Registration Statement**") of the underlying shares of Common Stock.

The RRA provides that we shall (i) use our best efforts to file with the SEC a Registration Statement within 45 days of the date of the GHS Registration Rights Agreement; and (ii) have the Registration Statement declared effective by the SEC within 30 days after the date the GHS Registration Statement is filed with the SEC, but in no event more than 90 days after the GHS Registration Statement is filed.

Below is a table of all puts made by the Company under the EFA during 2022:

Date of Put	Number of Shares Sold	Total Proceeds, Net of Discounts	Effective Price per Share	Net Proceeds
6/24/22	38,391,106	\$643,539	\$0.01978	\$578,160
7/1/22	33,525,465	\$556,750	\$0.019596	\$500,050
7/11/22	32,756,532	\$556,750	\$0.01699661	\$550,050
7/20/22	29,386,519	\$556,750	\$0.01894558	\$550,050
7/28/22	35,884,040	\$556,750	\$0.018308	\$500,050
8/10/22	44,505,857	\$680,109	\$0.015281	\$611,073
8/18/22	54,574,909	\$948,863	\$0.017386441	\$852,952
8/25/22	105,255,759	\$2,264,961	\$0.021518644	\$2,128,038
9/2/22	140,073,757	\$3,000,000	\$0.021417288	\$2,788,975
9/14/22	79,092,686	\$1,757,466	\$0.022220339	\$1,757,466
9/30/22	30,538,303	\$500,000	\$0.0163729	\$463,975

Going Concern Uncertainty

As shown in the accompanying financial statements, during the nine months ended September 30, 2022, the Company reported a net loss of \$18,375,506. As of September 30, 2022, the Company's current liabilities exceeded its current assets by \$6,314,789. As of September 30, 2022, the Company had \$5,967,984 of cash.

We will require additional funding to finance the growth of our operations and achieve our strategic objectives. These factors, as relative to capital raising activities, create doubt as to our ability to continue as a going concern. We are seeking to raise additional capital and are targeting strategic partners in an effort to accelerate the sales and marketing of our products and begin generating revenues. Our ability to continue as a going concern is dependent upon the success of future capital offerings or alternative financing arrangements, expansion of our operations and generating sales. The accompanying financial statements do not include any adjustments that might be necessary should we be unable to continue as a going concern. Management is actively pursuing additional sources of financing sufficient to generate enough cash flow to fund its operations; however, management cannot make any assurances that such financing will be secured.

Foreign Currency Risk

In general, the Company is a net receiver of currencies other than the U.S. dollar. Accordingly, changes in exchange rates, and in particular a strengthening of the U.S. dollar, will negatively affect the Company's net sales and gross margins as expressed in U.S. dollars. There is a risk that the Company will have to adjust local currency product pricing due to competitive pressures when there has been significant volatility in foreign currency exchange rates.

Results of Operations

Revenues

During previous years, the Company experienced no revenue as it developed its technology. More recently, we have experienced revenue derived from the acquisitions of our subsidiaries from the 3rd quarter of 2021 to the present. The Company's new revenues are derived from the following, among other things:

- promote adoption of our patented technology through agency and distribution agreements;
- cross-selling existing customer with products from other subsidiaries;
- provide a wide array of diverse services, including enhanced or additional services that may become available in the future due to, among other things, advances in technology or improvements in our infrastructure;
- provide our premium services to a higher percentage of our customers;
- pursue acquisitions of additional assets, in each case if available at attractive prices; and
- market our products and services to new customers.

While the Company recognizes revenue when its customer obtains control of promised goods or services, in an amount that reflects the consideration which we expect to receive in exchange for those goods or services, the Company also maintains multiple contracts for future material revenues, including part of framework contracts that will be recognized during future reporting periods.

For the three months ended September 30, 2022, total revenues were \$1,431,104 compared to \$3,500,970 for the same period in 2021, a decrease of \$2,069,866. This decrease primarily consisted of revenues of \$841,876 from Optilan, \$385,529 from Wildlife Specialists and \$139,225 from TJM Electronics as well as \$64,474 from the remaining subsidiaries.

For the nine months ended September 30, 2022, total revenues were \$7,884,480 compared to \$3,500,970 for the same period in 2021, an increase of \$4,383,510. This increase primarily consisted of revenues of \$6,760,818 from Optilan, \$589,986 from Wildlife Specialists and \$434,459 from TJM Electronics as well as \$99,217 from the remaining subsidiaries.

Cost of Goods Sold and Gross Margin

For the three months ended September 30, 2022, cost of goods sold were \$5,804,875 compared to \$2,767,239 for the same period in 2021, an increase of \$3,037,636. This increase primarily consisted of \$2,500,000 of additional cost of goods sold related to a contract with National Grid (which was entered into prior to the Company's acquisition of Optilan and valued at £25,411,720) that the Company's subsidiary, Optilan, is in the final stages of completing after more than five years. The project took significantly longer to complete than originally quoted and unfortunately there was very little foresight to the magnitude of the loss. The Company believes that this is not a recurring issue with Optilan and/or its business model, but more specifically related to the factors surrounding this project which included but not limited to initial issues with the quote and the associated agreement, delays due to Covid-19 and current inflation rates. The Company has taken internal procedures during its bid process to assure that such practices will not occur in the future.

For the nine months ended September 30, 2022, cost of goods sold were \$12,119,352 compared to \$2,767,239 for the same period in 2021, an increase of \$9,352,113. This increase primarily consisted of \$2,500,000 of additional cost of goods sold related to a contract with National Grid (which was entered into prior to the Company's acquisition of Optilan and valued at £25,411,720) that the Company's subsidiary, Optilan, is in the final stages of completing after more than five years. The project took significantly longer to complete than originally quoted and unfortunately there was very little foresight to the magnitude of the loss. The Company believes that this is not a recurring issue with Optilan and/or its business model, but more specifically related to the factors surrounding this project which included but not limited to initial issues with the quote and the associated agreement, delays due to Covid-19 and current inflation rates. The Company has taken internal procedures during its bid process to assure that such practices will not occur in the future.

Gross margin for the three months ended September 30, 2022 was \$(4,373,771) with a gross margin of (305.6)% compared to \$733,731 for the same period in 2021 with a 21.0% gross margin.

Gross margin for the nine months ended September 30, 2022 was \$(4,234,872) with a gross loss margin of (677.2)% compared to \$733,731 for the same period in 2021 with a gross margin of 21.0%.

Operating Expenses

Selling, general and administrative expenses for three months ended September 30, 2022 increased by \$1,091,777, or 268.3%, to \$1,498,717 from \$406,940 for the three months ended September 30, 2021. The increase primarily consisted of an increase to the operations from our various acquisitions.

Selling, general and administrative expenses for nine months ended September 30, 2022 increased by \$3,047,533, or 573.1%, to \$3,579,326 from \$531,793 for the nine months ended September 30, 2021. The increase primarily consisted of an increase to the operations from our various acquisitions.

Payroll related expenses for three months ended September 30, 2022, increased to \$1,760,531 from \$1,007,453 for the three months ended September 30, 2021. The increase primarily consisted of an increase to the numbers of employees inherited from our various acquisitions.

Payroll related expenses for nine months ended September 30, 2022, increased to \$5,108,775 from \$1,007,453 for the nine months ended September 30, 2021. The increase primarily consisted of an increase to the numbers of employees inherited from our various acquisitions.

Professional fees for the three months ended September 30, 2022, decreased by \$209,636 to \$1,471,264 from \$1,680,600 for the three months ended September 30, 2021. This decrease

primarily consisted of decreased legal expenditures associated with the current decrease in litigation activity.

Professional fees for the nine months ended September 30, 2022, increased by \$2,588,394 to \$4,489,966 from \$1,901,572 for the nine months ended September 30, 2021. This increase primarily consisted of increased legal expenditures associated with the increase in litigation.

Depreciation and amortization for three months ended September 30, 2022, increased by \$506,748 to \$597,970 from \$91,222 for the three months ended September 30, 2021. This increase is primarily due to the increase in the depreciable assets we acquired from new acquisitions in other countries.

Depreciation and amortization for nine months ended September 30, 2022, increased by \$717,253 to \$833,989 from \$116,736 for the nine months ended September 30, 2021. This increase is primarily due to the increase in depreciable assets we acquired from new acquisitions.

Other Income (Expense)

For the three months ended September 30, 2022, we had other expense of \$896,585 compared to other expense of \$798,655 for the same period in 2021, an increase in expense of \$97,930. This increase in other income primarily consisted of a \$70,289 decrease in the fair value of the Company's derivative instruments, \$426,073 of loss on foreign currency exchange rate variance, and a decrease in interest expense of \$489,552 due to changes in borrowings associated with acquisitions.

For the nine months ended September 30, 2022, we had other income of \$128,578 compared to other expense of \$1,084,462 for the same period in 2021, a decrease in expense of \$1,213,040. This increase in other income primarily consisted of changes of \$501,431 of restructuring costs, \$237,445 increase in the fair value of the Company's derivative instruments, \$218,039 of loss on foreign currency exchange rate variance, an decrease in interest expense of \$321,532 due to changes in borrowings associated with acquisitions.

Net Loss

As a result of the above, we reported a net loss of \$8,805,668 and \$1,686,829 for the three months ended September 30, 2022 and 2021, respectively.

As a result of the above, we reported a net loss of \$18,375,506 and \$1,924,311 for the nine months ended September 30, 2022 and 2021, respectively.

Liquidity and Capital Resources

We require working capital to fund the continued development and commercialization of our proprietary fiber optic sensing devices, and for operating expenses. During the three months ended September 30, 2022, we had \$11,378,400 in new cash proceeds compared to the three months ended September 30, 2021, when we had no new cash proceeds.

As of September 30, 2022, we had cash of \$5,967,984, compared to \$2,564,492 as of September 30, 2021. We currently do not have sufficient cash to fund our operations for the next 12 months and we will require working capital to complete development, testing and marketing of our products and to pay for ongoing operating expenses. We anticipate adding consultants for technology development and the corresponding operations of the Company, but this will not occur prior to obtaining additional capital. Management is currently in the process of looking for additional investors. Currently, loans from banks or other lending sources for lines of credit or similar short-term borrowings are not available to us. We have been able to raise working capital to fund operations through the issuances of convertible notes or obtained through the issuance of our restricted common stock. As of September 30, 2022, our current liabilities exceeded our current assets by \$6,314,789.

Several of our significant operating subsidiaries have borrowed funds from DarkPulse. The terms of the instruments governing the indebtedness of these borrowers or borrowing groups may restrict our ability to access their accumulated cash. In addition, our ability to access the liquidity of these and other subsidiaries may be limited by tax, legal and other considerations.

Our executive officers and our Board of Directors review our sources and potential uses of cash in connection with our annual budgeting process and whenever circumstances warrant. Generally speaking, our principal funding source is cash from financing activities, and our principal cash requirements include loans to our operating subsidiaries, operating expenses, and capital expenditures,

For the remaining 12 month period ending September 30, 2023, we project that our subsidiaries will begin to operate with their own operating activities and reduce their dependency on the financing activities of DarkPulse.

For additional information, see "Risk Factors—Financial Risks" in Item 1A of Part I of our Annual Report on Form 10-K for the year ended December 31, 2021.

Cash Flows From Operating Activities

During the nine months ended September 30, 2022, net cash used by operating activities was \$19,456,701, resulting from our net loss of \$18,375,506 and an increase in expenses related to our inventory of \$604,406 and operating lease liabilities of \$86,511. These increases were offset by a decrease in derivative liability of \$237,445, increase in accounts payable and accrued expenses of \$2,949,406 and an increase from restructuring costs of \$501,431, decrease in accounts receivable of \$692,746, decrease in unbilled revenue of \$178,748 and decrease in contract liability of \$833,876.

By comparison, during the nine months ended September 30, 2021, net cash used by operating activities was \$7,446,593, resulting from our net loss of \$1,924,311 partially offset by an increase in non-cash expenses of stock based loan acquisition costs of \$649,334 and the amortization of debt discount of \$404,087 offset by gain on the extinguishment of debt of \$785,240 and increases in accounts payable and accrued liabilities of \$4,362,016 and contract liability of \$1,439,504

Cash Flows From Investing Activities

During the nine months ended September 30, 2022, we had net cash used in investing activities of \$594,310. During the nine months ended September 30, 2021, net cash used by investing activities was \$546,765.

Cash Flows From Financing Activities

During the nine months ended September 30, 2022, net cash provided by financing activities was \$23,794,275 which was comprised of proceeds from the sale of common stock from

offering of \$23,794,275. During the nine months ended September 30, 2021, net cash used by financing activities was \$10,718,100, which was comprised of proceeds from the sale of common stock from offering of \$8,000,000, proceeds from issuance of convertible notes payable of \$1,102,700 and proceeds from notes payable of \$2,000,000 less repayment of notes payable of \$384,600.

Factors That May Affect Future Results

Management's Discussion and Analysis contains information based on management's beliefs and forward-looking statements that involve a number of risks, uncertainties, and assumptions. There can be no assurance that actual results will not differ materially from the forward-looking statements as a result of various factors, including but not limited to, our ability to obtain the equity funding or borrowings necessary to market and launch our products, our ability to successfully serially produce and market our products; our success establishing and maintaining collaborative licensing and supplier arrangements; the acceptance of our products by customers; our continued ability to pay operating costs; our ability to meet demand for our products; the amount and nature of competition from our competitors; the effects of technological changes on products and product demand; and our ability to successfully adapt to market forces and technological demands of our customers.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future material effect on our consolidated financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity capital expenditures or capital resources.

Recent Accounting Pronouncements

We have provided a discussion of recent accounting pronouncements in Note 1 to the Condensed Financial Statements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

As a smaller reporting company, the Company has elected not to provide the disclosure required by this item.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

We have established disclosure controls and procedures that are designed to ensure that information required to be disclosed in reports filed or submitted under the Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission and, as such, is accumulated and communicated to our Chief Executive Officer, Dennis O'Leary, who serves as our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure. Mr. O'Leary, evaluated the effectiveness of our disclosure controls and procedures, as defined in Rule 13a-15(e) of the Exchange Act, as of September 30, 2022. Based on his evaluation, Mr. O'Leary concluded that the Company's disclosure controls and procedures were not effective as of September 30, 2022.

Changes in Internal Control Over Financial Reporting

There has been no change in the Company's internal control over financial reporting, as defined in Rules 13a-15(f) of the Exchange Act, during our quarter ended September 30, 2022, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings

DarkPulse, Inc. v. Twitter, Inc.

As disclosed in greater detail in the Company's Form 10-K, filed April 15, 2022, the Company's investigation of the Investor News matter remains ongoing.

On October 21, 2022, the Company filed a petition against Twitter, Inc. in the Supreme Court of the State of New York County of New York to compel disclosure of the owner(s) and operator(s) of two certain Twitter accounts: "Mike Wood" (@MIKEWOOD) and "Bull Meechum" (@BullMeechum3). The petition seeks disclosure of the owner(s) and operator(s) of the aforementioned accounts so the Company can commence an action against such individuals for damages arising from false, misleading, and untrue statements made by the same.

On October 25, 2022, the court signed an order to show cause directing Twitter to show cause on or before November 4, 2022 as to why an order compelling disclosure of the identities of the owner(s)/ operator(s) of the @MIKEWOOD and @BullMeechum3 Twitter accounts should not be made.

Carebourn Capital, L.P. v. DarkPulse, Inc.

As disclosed in greater detail in the Company's Form 10-Q, filed August 10, 2022, the Company remains in active litigation with Carebourn Capital, L.P. ("Carebourn") in Minnesota State Court. There are no material updates to this litigation.

The Company remains committed to actively litigating its affirmative defenses and claims for relief under the Securities Exchange Act of 1934.

More Capital, LLC v. DarkPulse, Inc. et al

As disclosed in greater detail in the Company's Form 10-Q, filed August 10, 2022, the Company remains in active litigation with More Capital, LLC ("More") in Minnesota State Court. There are no material updates to this litigation.

The Company remains committed to actively litigating its affirmative defenses and claims for relief under the Securities Exchange Act of 1934.

Goodman et al. v. DarkPulse, Inc.

As disclosed in greater detail in the Company's Form 10-Q, filed November 15, 2021, on September 10, 2021, Stephen Goodman, Mark Banash, and David Singer ("Former Officers") commenced suit against the Company in Arizona Superior Court, Maricopa County.

As of the date hereof, the Company is engaged in settlement negotiations with the Former Officers.

DarkPulse, Inc. v. FirstFire Global Opportunities Fund, LLC, and Eli Fireman

As disclosed in greater detail in the Company's Form 10-Q, filed August 10, 2022, the Company remains in active litigation with FirstFire Global Opportunities Fund, LLC ("FirstFire"), and Eli Fireman ("Fireman") (FirstFire and Fireman together, the "FirstFire Parties").

As previously disclosed therein, the FirstFire Parties' motion to dismiss the Company's first amended complaint has been fully submitted to the Court. On May 26, 2022, the FirstFire Parties requested oral arguments on their motion to dismiss. As of the date hereof, oral arguments have not been scheduled and, further, no decision has been rendered on the FirstFire Parties' motion to dismiss.

The Company remains committed to actively litigating its claims for relief under the Securities Exchange Act of 1934.

DarkPulse, Inc. v. EMA Financial, LLC et al

As disclosed in greater detail in the Company's Form 10-Q, filed August 10, 2022, the Company remains in active litigation with EMA Financial, LLC ("EMA"), EMA Group, Inc. ("EMA Group"), and Felicia Preston ("Preston") (EMA, EMA Group, and Preston together, the "EMA Parties").

As of July 22, 2022, the EMA Parties' motion to dismiss the Company's first amended complaint is fully submitted. As of the date hereof, no decision has been rendered on the EMA Parties' motion to dismiss.

The Company remains committed to actively litigating its claims for relief under the Securities Exchange Act of 1934 and Racketeer Influenced and Corrupt Organizations Act.

Item 1A. Risk Factors

Foreign Currency Risk

Optilan, our wholly-owned subsidiary which is responsible for a large portion of our revenues is located in the United Kingdom. Foreign sales of products and services are primarily denominated in the British pound sterling, which is subject to fluctuations due to changes in foreign currency exchange rates. Accordingly, we are subject to exposure from changes in the exchange rates of local currencies. Consequently, changes in the exchange rates of the currencies may impact the translation of the foreign subsidiaries' statements of operations into U.S. dollars, which may in turn affect our consolidated statement of operations.

We have not entered into any financial derivative instruments that expose us to material market risk, including any instruments designed to hedge the impact of foreign currency exposures. We may, however, hedge such exposure to foreign currency exchange rate fluctuations in the future.

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

Below is a table of all puts made by the Company under the EFA during the quarter ended September 30, 2022:

Date of Put	Number of Shares Sold	Total Proceeds, Net of Discounts	Effective Price per Share	Net Proceeds
7/1/22	33,525,465	\$556,750	\$0.019596	\$500,050
7/11/22	32,756,532	\$556,750	\$0.01699661	\$550,050
7/20/22	29,386,519	\$556,750	\$0.01894558	\$550,050
7/28/22	35,884,040	\$556,750	\$0.018308	\$500,050
8/10/22	44,505,857	\$680,109	\$0.015281	\$611,073
8/18/22	54,574,909	\$948,863	\$0.017386441	\$852,952
8/25/22	105,255,759	\$2,264,961	\$0.021518644	\$2,128,038
9/2/22	140,073,757	\$3,000,000	\$0.021417288	\$2,788,975
9/14/22	79,092,686	\$1,757,466	\$0.022220339	\$1,757,466
9/30/22	30,538,303	\$500,000	\$0.0163729	\$463,975

The shares issued in reliance upon the exemption from securities registration afforded by Section 4(a)(2) of the Securities Act and Rule 506(b) of Regulation D under the Securities Act, based in part on the representations of the investor. There were \$889,517 in sales commissions paid to J.H. Darbie & Co., Inc. ("J.H. Darbie") pursuant to these transactions.

Item 6. Exhibits

SEC Ref. No. Title of Document

10.1*	Exclusive Commercial Agency Agreement dated July 27, 2022 with Gulf Automation Services & Oilfield Supplies Company [Gasos] LLC
10.2*	Membership Purchase Agreement dated August 24, 2022 with Remote Intelligence, Limited Liability Company Wildlife Specialists, LLC
10.3*	Membership Purchase Agreement dated August 24, 2022 with Wildlife Specialists, LLC
31.1*	Rule 13a-14(a) Certification by Principal Executive and Financial Officer
32.1**	Section 1350 Certification of Principal Executive and Financial Officer
101.INS*	XBRL Instance Document

101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document
104*	Cover Page Interactive Data File (formatted in Inline XBRL, and included in exhibit 101).

*Filed with this Report.

**Furnished with this Report.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

DarkPulse, Inc.

Date: November 4, 2022

By /s/ Dennis O'Leary
Dennis O'Leary, Chairman, Chief Executive Officer, President, Chief Financial Officer
(Principal Executive Officer and Principal Financial Officer)

EXCLUSIVE COMMERCIAL AGENCY AGREEMENT

This agreement is made on the 27 day of July between:

1-

1. GULF AUTOMATION SERVICES & OILFIELD SUPPLIES COMPANY [GASOS] LLC, a company incorporated according to the laws of United Arab Emirates, registered under commercial license No. (CN-1001756) issued by the Department of Economic Development in Abu Dhabi, and having its offices at P. O. Box 6203, Abu Dhabi, United Arab Emirates. {Hereinafter referred to as "**First party**" or "**Agent**"}

And

2. **DarkPulse Inc** a company incorporated according to the laws of Delaware, USA having its offices at 815 Walker Street, Suite 1155 Houston, TX 77002
{Hereinafter referred to as "**Second party**"}

WHEREAS:

- 1- The Second Party wishes to appoint the First Party as its Agent throughout the Emirate of Abu Dhabi, UAE, and whereas First Party is a company wholly owned by UAE Nationals and is willing and qualified to act as the Second Party's Agent.

NOW IT IS HEREBY MUTUALLY AGREED AS FOLLOWS:

1- APPOINTMENT

- (a) The Second Party hereby appoints the First Party to be its sole and exclusive Agent in Abu Dhabi hereinafter called "**the Territory**" for the marketing promotion and sale of the Second Party's Products (hereinafter called "**The Products**") and their related services (hereinafter call "**The Services**") as specified in clause 8 of this Agreement and subject to the terms and conditions of this Agreement and the provisions of UAE Federal Law Number 18 of 1981 concerning the Organization of Commercial Agencies, and its amendments.
- (b) This Agency Agreement hereby created shall - as soon as possible after the date of the attestation - be registered at the Ministry of Economy and Commerce of the United Arab Emirates as provided in the Federal Law Number 18 of 1981, and its amendments and Ministerial Decree No. 47 of 1989.

2- DURATION

This Agreement shall commence on the date hereof for a period of one year and shall continue in force thereafter unless and until terminated pursuant to the provisions of this Agreement as per clause 7 item d.

3- FIRST PARTY'S GENERAL OBLIGATIONS

- a. The First Party shall promote and extend the sale of the Products and the Services within the Territory.
- b. The First Party shall refer to the Second Party all inquiries or tenders for the Products and or Services in the Territory. Such referral shall include all the details necessary for the Second Party to respond effectively to all such inquiries and tenders. The Second Party's response shall be addressed to the First Party who shall transmit it to the client. Any order placed or contract awarded following such inquiry or tender shall be so placed or awarded to the First Party.

- c. The First Party shall refrain from any competitive action against the Second Party. The First Party is obliged to refrain from selling, representing or working with any company promoting or having in its product range similar products or services as the Second Party, even when it concerns second hand products.
- d. Upon being so requested by the Second Party, assist in the clearance and importation of all materials, machinery, plant, equipment and other items required and to be used by the Second Party for the Services. Where appropriate and mutually agreed the first party shall apply suitable costs/liability which will be back charged to the second party for said clearance and importation services.
- e. From time to time and upon request by the Second Party, provide within reasonable time, information, and assistance for the purpose of promotion, development and realization of the Second Party's business.
- f. Upon being so requested by the Second Party to assist in the preparation and presentation of proposals and tenders submitted by the Second Party;
- g. Advise the Second Party on establishing and maintaining favorable relationships and channels of communication with the Client.
- h. Assist with and mediate, where required, for the benefit of the Second Party on matters of dispute between the Second Party and the Client.
- i. Furthermore, the First Party will be required to provide Services for the realization of a Contract between the Second Party & Client for the Project. These Services include but are not limited to the following:
 - (a) Keeping the Second Party promptly informed of any issues the Client has with the Second Party and their performance in relation to the Project;
 - (b) Reporting as per the Second Party's reasonable request on each aspect of Agent activity in connection with the Project;
 - (c) Advising and giving guidance on appropriate negotiation strategies and tactics, including problems resolution during negotiations for the Project;
 - (d) Assistance in arranging meetings with the Client;

- (e) Ensuring that the Second Party is kept aware of all requirements of Client, respecting the award of the Contract and advising the Second Party from time to time as to satisfying such requirements;
 - (f) Advising the Second Party of any preferences of Client in respect to subcontractor, vendors and other persons;
 - (g) Assist the Second Party in resolving any technical and commercial matters; and
 - (h) Advise and assist the Second Party in connection with invoicing and receiving payments from Client.
- j. The First Party shall have no authority, and shall not represent itself or hold itself out as having any authority to enter into any contract, make any payment, offer any condition, warranty or guarantee, change or compromise any part of any contract or incur or assume any liability of any nature whatsoever on behalf of the Second Party or an Affiliate and the Second Party shall not have any liability for the actions or omissions of the First Party or its employees, agents or representatives.
- k. The First Party agree to comply with the Second Party Anti Bribery and Corruption requirements and processes as per addendum number 1 attached.
- l. The First Party agree, where necessary and appropriate, to allow the Second Party to utilise GASOS ICV (In Country Value Score) subject to agreement on a bid by bid / project by project basis.

4- Representations and Warranties of Agent

- 4.1 The First Party represents and warrants to the Second Party, and acknowledges that the Second Party is relying upon such representations and warranties as an inducement to enter into this Agreement with The First Party, as follows;
- (a) The First Party is familiar with and understands all applicable Laws, including the provisions of such Laws prohibiting any direct or indirect offer, payment promise to pay or authorization to pay anything of value to any individual or entity, including governmental officials and political party officials in order to obtain or retain business advantages, influencing such persons to act, or inducing such persons to use their official capacity to obtain or retain a business advantage;
 - (b) The First Party has not made any offers, payments, promises to pay or authorizations to pay in contravention of any applicable Laws;
 - (c) The First Party is not an official, employee, agent or representative of any government or political party or a candidate for political office;
 - (d) The First Party is not an official, employee, agent or representative of the Client or any other client of the Second Party; and
 - (e) The First Party warrants it is not providing and will not provide services similar to the Services to any other entity with references to the project.

5- The Fees

- a- In consideration for the services rendered by the First Party to the Second Party under this Agreement, the First Party shall be entitled to:
- (1) All profits made by the First Party on Sales effected within the Territory (it being understood that the First Party shall purchase the Products from the Second Party at a mutually agreed discount); and
 - (2) A commission of 5 % (Five percent) for each and every sale of Products effected within the Territory by the Second Party whether or not the sale is a result of the First Party's efforts. This commission shall be payable on all such sales, whether the orders were placed directly with the Second Party or through the First Party.
 - (3) A commission of 5 % (Five percent) for each and every Service provided within the Territory by the Second party whether or not the Service is provided as a result of the First party's efforts. This commission shall be payable on all Services so provided, whether the request for such Services was communicated directly to the Second Party or through the First Party.
- b- Payment of any commission in respect to which the First Party is entitled, shall be made immediately on pro-rata basis upon receipt by the Second Party of the monies from its customers for sale of Products and/or for the provision of Services.
- c- The commission shall represent the full and final amount which may become payable by the Second Party to the First Party for the performance of the Services hereunder, if any. The First Party shall be liable for all taxes of whatsoever nature arising in relation to the commission payments. The Second Party shall not be liable for any taxes for any part of the commission paid to the First Party. The Second Party shall not be liable for transportation, travel or communication costs or any other costs, and the commission amount is deemed to be all inclusive of all costs arising out of the provision of the Services, unless agreed in advance by writing from the Second Party and signed by the Second Party authorized representative.
- d- Both parties agree that each project shall be reviewed on a case by case basis and the commission rate will be adjusted, where appropriate, to ensure commercial viability of any/all bid submissions. This shall be agreed and confirmed in writing prior to submission of any bid and the agreed commission percentage shall take precedence over the percentage agreement identified in clause 5 "The Fees" (a; 2 & 3) above.

6- OBLIGATIONS OF SECOND PARTY

The Second Party shall:

- a- Not sell any of the Products or provide any of the services:

- (1) to any person, firm, or company within the Territory other than subject to the terms of this Agreement; or
 - (2) to any person firm or company outside the Territory with a view to resale of the Products within the Territory.
- b- In certain cases and with prior knowledge and consent of the First Party, be allowed to sell its products and to provide the services directly to Third Parties in the Territory provided the First Party has a fixed commission of 5 % (Five percent) on each and every Sale and or Service.
 - c- At its own expenses supply the First Party with sufficient instruction books, technical pamphlets, catalogues, brochures and advertising material with a view to promoting sales of the Products and or provision of the Services within the Territory.
 - d- Ensure at all times that the prices quoted by it for the supply of the Products in the Territory are as competitive as possible taking into account all relevant circumstances.
 - e- Ensure that the Products are manufactured to the highest standard and give all such representation, warranties and guarantees as to their fitness and merchantability as is usual for similar Products of a competing nature and honour such guarantees, warranties and representation in all respects.
 - f-1 In the event that the First Party is required to submit bid or performance bonds or guarantees as may be necessary for the performance of any contracts the Second Party shall at the request of the First Party provide the First Party with back to back bid and performance bonds or guarantees and generally indemnify and hold the First Party safe and harmless from any liability under such bonds or guarantees.
 - f-2 Provide the Services with utmost care and skill, and to the highest standard and give all such warranties and guaranties as to the quality of the Service as is customary for such services.
 - g- A written notice of 60 days to that effect must be served to the First Party before any price increase with respect to the Products and or Services becomes effective.
 - h- Both parties agree that each project shall be reviewed on a case by case basis and the commission rate will be adjusted, where appropriate, to ensure commercial viability of any/all bid submissions. This shall be agreed and confirmed in writing prior to submission of any bid and the agreed commission percentage shall take precedence over the percentage agreement identified in clause 6 "**Obligations of the Second Party**" (b) above.
- 7- TERMINATION**
- Subject to Clause 14 and the Federal Law of 18 of 1981 and its amendments.
- a) In case the Two Parties have agreed in writing to terminate this agreement.
 - b) This Agreement shall be referred to the commercial Agency Committee if a party thereto does not remedy a breach of this Agreement 30 days after a notice to that effect is served to it from the other party; and
 - c) If either party becomes insolvent, bankrupt, is wound up, compounds with its creditors or is otherwise unable to pay its debts, the other Party shall be entitled to terminate this Agreement immediately.

- d) Both parties agree to conduct an annual review of this agency agreement and confirm during said review that, subject to 3 months notice, either party shall reserve the right to terminate the agreement for convenience. Any projects or contracts commenced or bid prior to the termination date shall be governed by the terms of this agreement unless otherwise agreed in writing by both parties.

8- PRODUCTS AND SERVICES

The Products and Services subject matter of this Agreement are the following:

- 1- Bespoke communications, technology and security systems utilizing DarkPulse Patented Technologies.
- 2- Consultancy, Design, Procurement, Supply, Installation, Integration, Commissioning and Maintenance related to item 1.
- 3- Items 1 and 2 provided via Second Party offices/facilities in the US, UK, India and UAE namely:
 DarkPulse Inc. 815 Walker Street, Suite 1155 Houston, TX 77002 USA
 DarkPulse Inc. Unit 8, Titan Business Centre, Tachbrook Park Warwick CV34 6RR, UK
 DarkPulse Inc Unit No. One JLT-5-00, Plot No. DMCC-EZI-1AB Jumeirah Tower Dubai, UAE
 DarkPulse Inc. Unit 704, Al Rupa Solitaire Millenium Business Park, Kopar Khairane, Navi Mumbai 400 710 India

9- CONFIDENTIALITY

Each party hereto undertakes that it will not at any time during the continuation of this Agreement divulge any information in relation to the other party's affairs or business or method of carrying on business.

10- NOTICES

Any notice required to be given by either party hereunder shall be as follows:

- a. if to the First Party, to email address.gasos@gasosauh.ae and shall subsequently be confirmed immediately by return email addressed to the other party at its email address shown above. Every notice shall be deemed to have been given and received at the time of email confirmation.

or

if to the Second Party, to email address doleary@DarkPulse.com and shall subsequently be confirmed immediately by return email addressed to the other party at its email address shown above. Every notice shall be deemed to have been given and received at the time of email confirmation.

11- EXPENSES

The costs and expenses of an incidental nature to the preparation and completion of this Agreement and its registration shall be borne by the Second Party for the first year of service.

Subsequent year renewal registration fees will be borne by the first party.

12- TRADEMARKS

The Second Party shall hold the First Party harmless against any legal action based on the infringement of any copyright, trademark, patent or any other intellectual property rights in relation to the Products and or Services.

13- DELIVERY OF THE PRODUCT

The product shall be delivered in the manner and to the places in Abu Dhabi, United Arab Emirates as agreed upon in writing by the Parties.

14- FORCE MAJEURE

Neither Party shall have any liability whatsoever or be deemed to be in default for any delay or failure in performance under this Agreement resulting from acts beyond the control of that Party including but not limited to acts of God, war or national emergency, accident, fire, riot, strike (except the strike of that Party's personnel) or epidemics.

15- GOVERNING LAW AND JURISDICTION

This Agreement shall be subject to the provisions of Federal Law Number 18 of 1981, concerning the organization of Commercial Agencies and its amendments shall be governed by and construed and interpreted in accordance with the laws of the United Arab Emirates and the Emirate of Abu Dhabi and any dispute or difference arising out of this Agreement which cannot be settled amicably shall be referred by either party to the Commercial Agencies Committee established under Federal Law Number 18 of 1981, and its amendments provided always that should such a Committee refuse or fail to consider the same within 90 days of such referral then the matter shall be finally settled by the exclusive jurisdiction of the Courts of the Emirate of Abu Dhabi.

16- LIMITATION OF THE SECOND PARTY LIABILITY:

The Second Party shall have no liability to the First Party pursuant to this Agreement other than to make payment of the Commissions against revenue received from the Client as provided herein. The Second Party thus has no liability inter alia for the First Party's direct or indirect costs or consequential losses, damages on account of loss of prospective anticipated commission or profits, expenditures, investments, leases or other commitments which may have been made by the First Party in order to perform the Services hereunder or otherwise, loss of goodwill or business opportunities or compensation for the length which the First Party has provided Services or similar services to the Second Party.

17- MISCELLANEOUS PROVISIONS

- (a) The invalidity of any provision of this Agreement shall not effect the validity of any other provision.
- (b) The clause and other headings contained in this Agreement are for reference only and shall not affect its interpretation.
- (c) This Agreement is executed in the English and Arabic Languages and in the event of any inconsistency or discrepancy between the two the Arabic language version shall prevail.
- (d) This Agreement cancels and supersedes all previous agreements or arrangements relating to the Products between the Parties, whether in writing or otherwise.

18- REGISTRATION IN UAE

As per this agreement, the Second Party has no objection for the First Party to register the Agency Agreement in the Agency Register of the Ministry of Economy, Agency Department in accordance to the UAE Commercial Agencies Law No. 18 of 1981. This applies to the Emirate of Abu Dhabi only.

In witness whereof the Parties hereto have executed this Agreement on the day and year first above written.

Second Party: DarkPulse Inc  Represented by: Dennis O'Leary	First Party: _____  Represented by: Mr. Samir Al Gharbi
First Party: GULF AUTOMATION SERVICES & OILFIELD SUPPLIES COMPANY [GASOS] LLC  Represented by: Mr. Samir Al Gharbi	Second Party : _____  Represented by: Mr. Dennis O'Leary

NOTE :

If Principal signs outside U.A.E., signature must be:

- a. Signed and notarized by Notary Public.
- b. Authenticated by the Foreign Office.
- c. Certified by the U.A.E. Embassy. (if not available any Embassy member of the Arab League).

MEMBERSHIP INTEREST PURCHASE AGREEMENT

Between

J. MERLIN BENNER
PHILLIP J. BENNER
JONAS M. BENNER
BENJAMIN P. BENNER
ANGELICA M. BENNER

And

DARKPULSE, INC.

dated as of

August 24, 2022

MEMBERSHIP INTEREST PURCHASE AGREEMENT

This Membership Interest Purchase Agreement (this “**Agreement**”), dated as of August 24, 2022 (the “**Effective Date**”), is entered into by, between, and among J. Merlin Benner, Phillip J. Benner, Benjamin P. Benner, Jonas M. Benner, and Angelica M. Benner (collectively referred to as the “**Sellers**”), who own forty percent (40%) of the equity interests of Remote Intelligence, Limited Liability Company, a Pennsylvania limited liability company (the “**Company**”), and DarkPulse, Inc., a Delaware corporation (the “**Buyer**” or “**DarkPulse**”). Each of the Buyer and the Sellers shall be referred to herein as a “**Party**”, and, together, as the “**Parties**.”

RECITALS

WHEREAS, on August 30, 2021, the Buyer purchased from the Seller sixty percent (60%) of the equity interests of the Company pursuant to a Membership Interest Purchase Agreement (the “**MIPA**”);

WHEREAS, the Sellers own, in the aggregate, the remaining forty percent (40%) of the equity interests (the “**Membership Interest**”) in the Company;

WHEREAS, the Sellers wishes to sell to the Buyer, and the Buyer wishes to purchase from the Sellers, the Membership Interest so that, upon closing, the Buyer shall own all of the equity in the Company and the Company shall become a wholly-owned subsidiary of the Buyer, subject to the terms and conditions set forth herein.

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

ARTICLE I
DEFINITIONS

Section 1.01 “Action” means a claim, action, suit, proceeding, or governmental investigation.

Section 1.02 “Affiliate” of a Person means any other Person that directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, such Person.

Section 1.03 “Assignment and Assumption” shall have the meaning set forth in Section 5.01(a).

Section 1.04 “Business Day” means any day of the year other than a Saturday or Sunday or any day on which banks in the State of New York are required or permitted to be closed.

Section 1.05 [Reserved]

Section 1.06 “Certificate of Formation” shall have the meaning set forth in Section 3.03.

Section 1.07 “Change of Control Transaction” means the occurrence after the date hereof of any of (a) an acquisition from the Buyer by an individual or legal entity or “group” (as described in Rule 13d-5(b)(1) promulgated under the Exchange Act) of in excess of 50% of the voting securities of the Buyer (other than by the Sellers or their Affiliates), (b) the Buyer merges into or consolidates with any other Person, or any Person merges into or consolidates with the Buyer and, after giving effect to such transaction, the stockholders of the Buyer immediately prior to such transaction own less than 50% of the aggregate voting power of the Buyer or the successor entity of such transaction, or (c) the Buyer sells, licenses or transfers all or substantially all of the assets of the Company.

Section 1.08 “Closing” means the closing of the transactions contemplated by this Agreement.

Section 1.09 “Closing Date” means the date of execution of this Agreement.

Section 1.10 “Code” means the Internal Revenue Code of 1986, as amended.

Section 1.11 “Common Stock” means the common stock of the Buyer, par value \$0.0001, and any other class of securities into which such securities may hereafter be reclassified or changed.

Section 1.12 “Common Stock Consideration” shall have the meaning set forth in Section 2.02(a).

Section 1.13 “Common Stock Equivalents” means any securities of the Buyer or its subsidiaries which would entitle the holder thereof to acquire at any time Common Stock, including, without limitation, any debt, preferred stock, right, option, warrant or other instrument that is at any time convertible into or exercisable or exchangeable for, or otherwise entitles the holder thereof to receive, Common Stock.

Section 1.14 “Confidential Information” means any information with respect to the Company, including methods of operation, customer lists, products, prices, fees, costs, technology, inventions, trade secrets, know-how, software, marketing methods, plans, personnel, suppliers, competitors, markets or other specialized information or proprietary matters. “Confidential Information” does not include, and there shall be no obligation hereunder with respect to, information that (i) is generally available to the public on the date of this Agreement or (ii) becomes generally available to the public other than as a result of a disclosure not otherwise permissible hereunder.

Section 1.15 “Contract” means any contract, agreement, indenture, note, bond, mortgage, loan, instrument, lease, license, commitment or other arrangement, understanding, undertaking, commitment or obligation, whether written or oral.

Section 1.16 The term “control” (including the terms “controlled by” and “under common control with”) means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract, or otherwise.

Section 1.17 “Disclosure Schedule” means the Disclosure Schedule delivered by the Sellers concurrently with the execution and delivery of this Agreement.

Section 1.18 “Encumbrance” means any mortgage, pledge, lien, charge, security interest, community property interest, claim, or other encumbrance.

Section 1.19 “Exchange Act” the U.S. Securities Exchange Act of 1934, as amended.

Section 1.20 “Exempt Issuance” means the issuance and sale of (a) shares of Common Stock or options to employees, officers or directors of the Buyer pursuant to any stock or option plan duly adopted for such purpose, by a majority of the non-employee members of the Buyer’s board of directors or a majority of the members of a committee of non-employee directors established for such purpose for services rendered to the Buyer; (b) securities upon the exercise or exchange of securities exercisable or exchangeable for or convertible into shares of Common Stock issued and outstanding on the date of this Agreement, and (c) securities issued pursuant to acquisitions or strategic transactions approved by a majority of the disinterested directors of the Buyer; provided that any such issuance shall only be to a Person (or to the equityholders of a Person) which is, itself or through its subsidiaries, an operating company or an owner of an asset in a business synergistic with the business of the Buyer and shall provide to the Buyer significant benefits in addition to the investment of funds.

Section 1.21 “GAAP” means generally accepting accounting principles in the United States of America.

Section 1.22 “Governing Documents” means, with respect to an entity, the entity’s articles of incorporation, articles of organization, certificate of incorporation, certificate of formation, charter, bylaws, operating agreement, Operating Agreement, or other certificates, instruments, documents, or agreements adopted to govern the formation or internal affairs of the entity, as applicable, including any and all amendments or restatements to such documents.

Section 1.23 “Governmental Authorities” means any court, tribunal, arbitrator, agency, commission, department, ministry, official, authority, or other instrumentality of any national, state, county, city, or other political subdivision.

Section 1.24 “Indemnified Party” shall have the meaning set forth in Section 7.04.

Section 1.25 “Indemnifying Party” shall have the meaning set forth in Section 7.04.

Section 1.26 “Liability” shall have the meaning set forth in Section 4.09.

Section 1.27 “Loss” means all claims, judgments, damages, liabilities, settlements, losses, costs, and expenses, including reasonable attorneys’ fees and disbursements.

Section 1.28 “Material Adverse Effect” means any result, occurrence, fact, change, event or effect that, individually or in the aggregate, would reasonably be expected to have a material adverse effect on the long-term projected business, operations, assets, liabilities, condition (financial or otherwise) or results of, in each case, of the Buyer and its subsidiaries taken as a whole.

Section 1.29 “Operating Agreement” shall have the meaning set forth in Section 3.03.

Section 1.30 “Permits” means all permits, licenses, franchises, approvals, registrations, certificates, variances, and similar rights obtained, or required to be obtained, from governmental authorities.

Section 1.31 “Person” means an individual, corporation, partnership, joint venture, limited liability company, governmental authority, unincorporated organization, trust, association, or other entity.

Section 1.32 “Profitability” means EBITDA equal to or higher than the total debt owed by the Company.

Section 1.33 “Purchase Price” shall have the meaning set forth in Section 2.02.

Section 1.34 “Securities Act” means the U.S. Securities Act of 1933, as amended.

ARTICLE II PURCHASE AND SALE

Section 2.01 Purchase and Sale. Subject to the terms and conditions set forth herein, at the Closing, the Sellers shall sell to the Buyer, and the Buyer shall purchase from the Sellers, all of Sellers' rights, title, and interests in and to the Membership Interest, free and clear of any undisclosed Encumbrance, for the consideration specified in Section 2.02. At the Closing, the Company shall become a wholly-owned subsidiary of the Buyer and the Buyer shall own all of the equity interests in the Company. For purposes of this Agreement, all of the Sellers' rights, title, and interests in and to the Membership Interest shall include, but are not limited to: (a) Sellers' capital accounts in the Company; (b) Sellers' rights to share in the profits and losses of the Company; (c) Sellers' rights to receive distributions from the Company; (d) Sellers' debt obligations for the Company; and (e) the exercise of all member rights, including the voting rights attributable to the Membership Interest.

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Section 2.02 Purchase Price. The aggregate purchase price for the Membership Interest (the "Purchase Price") is comprised of the following:

- (a) **Assumption of Debt.** On the Closing Date, the Buyer shall assume legal responsibility for the payment of any and all debt of the Company that is not labelled under the column "Personal Loans" or "DarkPulse Loans", which is listed on Schedule 1 of the Assignment and Assumption Agreement, which is attached and incorporated into this Agreement as Exhibit A, herein; however, all personal guarantees provided by the Sellers and their affiliates will continue to be in place (the "Assumption of Debt"). At Closing, all debts, liabilities, obligations, restrictions, and duties of the Company shall become the debts, liabilities, obligations, restrictions, and duties of the Buyer as provided in Schedule 1 of the Assignment and Assumption Agreement (the "Assumed Debt").
- (b) **Payment of Shareholder Loans.** If the Company has six (6) months or two (2) quarters of Profitability, then the Buyer agrees to pay the debt of the Company that is labelled under the column "Personal Loans" or "DarkPulse Loans", which is listed on Schedule 2 of the attached Assignment and Assumption Agreement, which is attached and incorporated into this Agreement as Exhibit A, herein (the "Shareholder Loans"). Payment of the Shareholder Loans shall be made within fifteen (15) days of the Company achieving six (6) months or two (2) quarters of Profitability.
- (c) **Shares Held in Escrow.** Within thirty (30) days of the Effective Date and on the Closing Date, each of J. Merlin Benner and Phillip J. Benner shall tender to the Buyer for escrow (the "Share Escrow") Five Million (5,000,000) shares of the Buyer previously issued to the Seller pursuant to the MIPA (the "Shares"). The Shares shall be released from escrow to Messrs. Benner within fifteen (15) days of the Company achieving six (6) months of Profitability. In the event the Company does not achieve six (6) months of Profitability within twenty-four (24) months of the date of the Agreement, the Shares shall be cancelled.
- (d) **Employment Contracts.** On the Closing Date, the Buyer and the Sellers shall execute an employment agreement for each of the Sellers in substantially the same form as Exhibit B, which is attached and incorporated into this Agreement.

Section 2.03 Closing. The Closing shall take place simultaneously on the Closing Date remotely via the electronic exchange of signatures. The consummation of the transactions contemplated by this Agreement shall be deemed to occur at 12:01 a.m. (EST) on the Closing Date.

Section 2.04 Transfer Taxes. Each of the Parties shall pay for their respective sales, use, or transfer taxes, documentary charges, recording fees, or similar taxes, charges, fees, or expenses, if any, that become due and payable as a result of the transactions contemplated by this Agreement.

ARTICLE III REPRESENTATIONS AND WARRANTIES OF THE SELLERS

Each of the Sellers, jointly and severally, represents and warrants to the Buyer that the statements contained in this ARTICLE III are true and correct as of the Closing Date. For purposes of this ARTICLE III, "Sellers' knowledge," "knowledge of the Sellers," and any similar phrases shall mean the actual or constructive knowledge of Sellers, after reasonable inquiry.

Section 3.01 Capacity and Authority of the Sellers; Enforceability. The Sellers have full capacity, power and authority to enter into this Agreement and the documents to be delivered hereunder, to carry out its obligations hereunder, and to consummate the transactions contemplated hereby. This Agreement and the documents to be delivered hereunder have been duly executed and delivered by the Sellers, and (assuming due authorization, execution, and delivery by the Buyer) this Agreement and the documents to be delivered hereunder constitute legal, valid, and binding obligations of the Sellers, enforceable against the Sellers in accordance with their respective terms.

Section 3.02 [RESERVED].

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Section 3.03 No Conflicts; Consents. The execution, delivery, and performance by the Sellers of this Agreement and the documents to be delivered hereunder, and the consummation of the transactions contemplated hereby, do not and will not: (a) violate or conflict with the Governing Documents of the Company; (b) violate or conflict with any judgment, order, decree, statute, law, ordinance, rule, or regulation applicable to the Sellers or the Company; (c) conflict with, or result in (with or without notice or lapse of time or both) any violation of, or default under, or give rise to a right of termination, acceleration, or modification of, any obligation or loss of any benefit under any contract or other instrument to which the Sellers or the Company is a party; (d) result in any violation, conflict with, or constitute a default under the Company's Governing Documents, including the certificate of formation of the Company filed with the Pennsylvania Secretary of State on May 6, 2013, as amended or restated (the "Certificate of Formation") and the operating agreement of the Company dated April 19, 2013, as amended or restated (the "Operating Agreement"); or (e) result in the creation or imposition of any Encumbrance on the Membership Interest. No consent, approval, waiver, or authorization is required to be obtained by the Sellers or the Company from any Person in connection with the execution, delivery, and performance by the Sellers of this Agreement and the consummation of the transactions contemplated hereby.

Section 3.04 Legal Proceedings; No Material Adverse Effect. There is no Action of any nature pending or, to Sellers' knowledge, threatened: (a) against or by the Sellers relating to or affecting the Membership Interest; or (b) against or by the Sellers or the Company that challenges or seeks to prevent, enjoin, or otherwise delay the transactions contemplated by this Agreement. There is no Action against any current, or to the Sellers' knowledge, former member, manager, or employee of the Company with respect to which the Company has, or is reasonably likely to have, an indemnification obligation. No event has occurred and no circumstances exist that may give rise to, or serve as a basis for, any such Action. No circumstance or state of affairs exists that would reasonably be expected to result in a material adverse effect on the Company's long-term project assets, liabilities, condition (financial or otherwise) or results of operations.

Section 3.05 Ownership of Membership Interest.

(a) The Sellers are the legal, beneficial, record, and equitable owners of the Membership Interest, free and clear of all Encumbrances whatsoever. The Membership Interest constitutes, in the aggregate, forty percent (40%) of the issued and outstanding equity interests in the Company and is the only remaining equity interests in the Company not owned by the Buyer. There are no outstanding warrants, options, agreements or any other instruments that give any Person the right to purchase, subscribe for or otherwise acquire any equity interests in the Company.

(b) The Membership Interest was issued in compliance with applicable laws. The Membership Interest was not issued in violation of the Governing Documents of the Company or any other agreement, arrangement, or commitment to which the Sellers or the Company are a party and are not subject to or in violation of any preemptive or similar rights of any Person.

(c) Other than the Governing Documents of the Company, there are no voting trusts, proxies, or other agreements or understandings in effect with respect to the voting or transfer of any part of the Membership Interest.

Section 3.06 Governing Documents. The Certificate of Formation and the Operating Agreement of the Company are in full force and effect and are the only documents in effect with respect to the matters described therein.

Section 3.07 Brokers. No broker, finder, or investment banker is entitled to any brokerage, finder's, or other fee or commission in connection with the transactions contemplated by this Agreement based upon arrangements made by or on behalf of the Sellers.

Section 3.08 Compliance with Laws; Permits.

(a) The Company has complied, and is now complying, in all material respects, with all statutes, laws, ordinances, regulations, rules, codes, treaties, or other requirements of any governmental authority applicable to it or its business, properties, or assets.

(b) All Permits that are required for the Company to conduct its business have been obtained and are valid and in full force and effect. No event has occurred that would reasonably be expected to result in the revocation or lapse of any such Permit.

Section 3.09 Taxes. To the Sellers' knowledge: (a) all tax returns (including information returns) required to be filed on or before the Closing Date by the Company have been timely filed; (b) all such tax returns are true, complete, and correct in all respects; (c) all taxes due and owing by the Company (whether or not shown on any tax return) have been timely paid; (d) all deficiencies asserted, or assessments made, against the Company as a result of any examinations by any taxing authority have been fully paid; and (e) there are no pending or threatened actions by any taxing authority.

Section 3.10 Existing Debt Obligations. The debt obligations of the Company contained in Schedule 1 constitutes all of the existing debt obligations of the Company as of the Closing Date.

ARTICLE IV REPRESENTATIONS AND WARRANTIES OF THE BUYER

The Buyer represents and warrants to the Sellers that the statements contained in this ARTICLE IV are true and correct as of the Closing Date. For purposes of this ARTICLE IV, "Buyer's knowledge," "knowledge of the Buyer," and any similar phrases shall mean the actual or constructive knowledge of any director or officer of the Buyer, after reasonable inquiry.

Section 4.01 Capacity/Organization and Authority of Buyer; Enforceability. The Buyer is a corporation duly organized, validly existing, and in good standing under the laws of the State of Delaware. The Buyer has full corporate power and authority to enter into this Agreement and the documents to be delivered hereunder, to carry out its obligations hereunder, and to consummate the transactions contemplated hereby. The execution, delivery, and performance by the Buyer of this Agreement and the documents to be delivered hereunder and the consummation of the transactions contemplated hereby have been duly authorized by all requisite corporate action on the part of the Buyer. This Agreement and the documents to be delivered hereunder have been duly executed and delivered by the Buyer and, assuming due authorization, execution, and delivery by the Sellers, this Agreement and the documents to be delivered hereunder constitute legal, valid, and binding obligations of the Buyer enforceable against the Buyer in accordance with their respective terms.

Section 4.02 No Conflicts; Consents. The execution, delivery, and performance by the Buyer of this Agreement and the documents to be delivered hereunder, and the consummation of the transactions contemplated hereby, do not and will not: (a) violate or conflict with the certificate of incorporation, bylaws, or other governing documents of the Buyer; (b) violate or conflict with any judgment, order, decree, statute, law, ordinance, rule, or regulation applicable to the Buyer; or (c) conflict with, or result in (with or without notice or lapse of time or both) any violation of, or default under, or give rise to a right of termination, acceleration, or modification of, any obligation or loss of any benefit under any contract or other instrument to which the Buyer is a party. No consent, approval, waiver, or authorization is required to be obtained by the Buyer from any Person in connection with the execution, delivery, and performance by the Buyer of this Agreement and the consummation of the transactions contemplated hereby.

Section 4.03 Investment Purpose. The Buyer is acquiring the Membership Interest solely for its own account for investment purposes and not with a view to, or for offer or sale in connection with, any distribution thereof. The Buyer acknowledges that the Membership Interest is not registered under the Securities Act, or registered under any state securities laws, and that the Membership Interest may not be transferred or sold except pursuant to the registration provisions of the Securities Act, or pursuant to an applicable exemption therefrom and subject to state securities laws and regulations, as applicable.

Section 4.04 Brokers. No broker, finder, or investment banker is entitled to any brokerage, finder's, or other fee or commission in connection with the transactions contemplated by this Agreement based upon arrangements made by or on behalf of the Buyer.

Section 4.05 Legal Proceedings. There is no Action of any nature pending or, to the Buyer's knowledge, threatened against or by the Buyer that (i) challenges or seeks to prevent, enjoin, or otherwise delay the transactions contemplated by this Agreement or (ii) could result in any material liability to the Buyer. No event has occurred or circumstances exist that may give rise to, or serve as a basis for, any such Action.

Section 4.06 SEC Reports; Financial Statements. The Buyer has filed all Quarterly Reports on Form 10-Q and Annual Reports on Form 10-K required to be filed by the Buyer under the Securities Act and the Exchange Act, including pursuant to Section 13(a) or 15(d) thereof, for the two years preceding the date hereof (or such shorter period as

the Buyer was required by law or regulation to file such material) (the foregoing materials, including the exhibits thereto and documents incorporated by reference therein, being collectively referred to herein as the “**SEC Reports**”) on a timely basis or has received a valid extension of such time of filing and has filed any such SEC Reports prior to the expiration of any such extension. As of their respective dates, the SEC Reports complied in all material respects with the requirements of the Securities Act and the Exchange Act, as applicable, and none of the SEC Reports, when filed, contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading. The financial statements of the Buyer included in the SEC Reports comply in all material respects with applicable accounting requirements and the rules and regulations of the Commission with respect thereto as in effect at the time of filing. Such financial statements have been prepared in accordance with GAAP, except as may be otherwise specified in such financial statements or the notes thereto and except that unaudited financial statements may not contain all footnotes required by GAAP, and fairly present in all material respects the financial position of the Buyer and its consolidated subsidiaries as of and for the dates thereof and the results of operations and cash flows for the periods then ended, subject, in the case of unaudited statements, to normal, immaterial, year-end audit adjustments.

Section 4.07 No Material Adverse Effect. Since the date of the Buyer’s latest Quarterly Report on Form 10-Q or Annual Report on Form 10-K, whichever was filed last, there has been no event, occurrence or development that has had or that could reasonably be expected to result in a Material Adverse Effect.

ARTICLE V CLOSING DELIVERABLES

Section 5.01 Sellers’ Deliverables. At the Closing, the Sellers shall deliver to the Buyer the following:

- (a) The Assignment and Assumption Agreement, in the form attached hereto as Exhibit A (the “**Assignment and Assumption**”), executed by the Sellers.
- (b) Copies of the resignation or resignations of the Seller and any representatives of the Seller, effective as of the Effective Date, if the Seller or any of its representatives are serving as a manager, on the management committee, or similar governing body of the Company, or as an officer of the Company.
- (b) Executed Employment Agreements for each of the Sellers, which are attached to this Agreement as Exhibit B.
- (c) Any documents (including the share certificate and medallion guarantee) required by the Buyer’s transfer agent to effect the Share Escrow.
- (d) A statement from the Company meeting the requirements of Treasury Regulations Section 1.1445-1T(d)(2)(i) certifying that transfers of interests in the Company are not subject to withholding under Section 1445 of the Code and the Treasury Regulations thereunder or a certification dated as of the Closing Date sworn under penalty of perjury and in form and substance required under the Treasury Regulations issued pursuant to Section 1445(b)(3) of the Code, stating that the Company is not and has not been a “United States real property holding corporation” (as defined in Section 897(c)(2) of the Code) during the applicable period specified in Section 897(c)(1)(A)(ii) of the Code, as applicable.
- (e) A Form W-8 completed by each of the Sellers.

Section 5.02 Buyer’s Deliverables. At the Closing, the Buyer shall deliver the following to the Sellers:

- (a) Any documents required for the Assumption of Debt by the Buyer;
- (b) The Assignment and Assumption, executed by Buyer.

(c) A certificate of the principal executive officer of the Buyer certifying as to: (i) the resolutions of the board of directors of the Buyer, duly adopted and in full force and effect, which authorize the execution, delivery, and performance of this Agreement and the transactions contemplated hereby; and (ii) the names and signatures of the officers of Buyer authorized to sign this Agreement and the documents to be delivered hereunder.

- (d) Executed Employment Agreements for each of the Sellers, which are attached to this Agreement as Exhibit B.

ARTICLE VI TAX MATTERS

Section 6.01 Tax Return and Tax Audit Procedures. The Sellers shall facilitate the making or otherwise cause the Company to make an election under Section 6226 of the Code with respect to any tax proceeding relating to a taxable period ending on or before the Closing Date as to which such an election is available. Sellers shall prepare or cause to be prepared any Internal Revenue Service Form 1065 or Form 1120, as applicable (and any similar form or forms for state and local income tax purposes), that is required to be filed by or with respect to the Company after the Closing Date with respect to any taxable period ending on or before the Closing Date. If the Sellers are not authorized under applicable law to execute and file aforementioned tax return, the Buyer shall execute and file (or cause to be filed) such tax returns, as prepared by the Sellers, with the appropriate taxing authority. The Buyer shall not, and shall not cause or permit the Company to (i) amend any tax returns filed with respect to any taxable period ending on or before the Closing Date or (ii) make any tax election that has retroactive effect to any such year, in each case, without the prior written consent of the Sellers. The Buyer agrees that, as applicable, (x) the Company will join the consolidated income tax return group of which the Buyer is the parent corporation for U.S. federal income tax purposes (and for purposes of any similar applicable state, local or foreign laws) at the end of the Closing Date pursuant to Treasury Regulation Section 1.1502-76(b)(1)(ii)(A) and (y) as a result, the Company will have a short tax year ending on (and including) the Closing Date and will be included in the consolidated group’s U.S. federal (and similar applicable state, local or foreign) income tax returns starting the day after the Closing Date.

ARTICLE VII INDEMNIFICATION

Section 7.01 Survival of Representations and Covenants. All representations, warranties, covenants, and agreements contained herein and all related rights to indemnification shall survive the Closing.

Section 7.02 Indemnification by the Sellers. Subject to the other terms and conditions of this ARTICLE VII, the Sellers shall defend, indemnify, and hold harmless the Buyer, its Affiliates, and their respective directors, managers, officers, and employees from and against:

- (a) A Loss arising from or relating to any inaccuracy in or breach of any of the representations or warranties of the Sellers contained in this Agreement or any document delivered in connection herewith; or
- (b) any Loss arising from or relating to any breach or non-fulfillment of any covenant, agreement, or obligation to be performed by the Sellers pursuant to this Agreement or any document delivered in connection herewith.

Section 7.03 Indemnification by the Buyer. Subject to the other terms and conditions of this ARTICLE VII, the Buyer shall defend, indemnify, and hold harmless the Sellers from and against all Losses arising from or relating to:

- (a) any inaccuracy in or breach of any of the representations or warranties of the Buyer contained in this Agreement or any document delivered in connection herewith;
- (b) any breach or non-fulfillment of any covenant, agreement, or obligation to be performed by the Buyer pursuant to this Agreement or any document delivered in connection herewith; or
- (c) any breach or non-fulfillment of any obligation under Section 2.02, including the Assumption of Debt and Payment of Shareholder Loans provisions.

Section 7.04 Indemnification Procedures. No claim for indemnification may be asserted after the date that is eighteen (18) months after the Closing Date. Whenever any claim shall arise for indemnification hereunder, the party entitled to indemnification (the “**Indemnified Party**”) shall promptly provide written notice of such claim to the other party (the “**Indemnifying Party**”). In connection with any claim giving rise to indemnity hereunder resulting from or arising out of any Action by a Person who is not a party to this Agreement, the Indemnifying Party, at its sole cost and expense and upon written notice to the Indemnified Party, may assume the defense of any such Action with counsel reasonably satisfactory to the Indemnified Party. The Indemnified Party shall be entitled to participate in the defense of any such Action, with its counsel and at its own cost and expense. If the Indemnifying Party does not assume the defense of any such Action, the Indemnified Party may, but shall not be obligated to, defend against such Action in such manner as it may deem appropriate, including, but not limited to, settling such Action, after giving notice of it to the Indemnifying Party, on such terms as the Indemnified Party may deem appropriate and no action taken by the Indemnified Party in accordance with such defense and settlement shall relieve the Indemnifying Party of its indemnification obligations hereunder. The Indemnifying Party shall not settle any Action without the Indemnified Party’s prior written consent, which consent shall not be unreasonably withheld or delayed.

Section 7.05 Payments. Once a Loss is agreed to by the Indemnifying Party or finally adjudicated to be payable pursuant to this ARTICLE VII, the Indemnifying Party shall satisfy its obligations within 15 Business Days of such agreement or final, non-appealable adjudication by wire transfer of immediately available funds. In addition to any rights of setoff or other similar rights that the Buyer may have at common law or otherwise, and notwithstanding anything to the contrary herein, the Buyer shall have the right to withhold and deduct from any payment under Section 2.02(b) that would be otherwise payable hereunder any sum that (i) is owed to the Buyer under this ARTICLE VII, subject to the limitations in this ARTICLE VII or (ii) the Buyer reasonably and in good faith believes may be owed to it or any Buyer Indemnified Party under this ARTICLE VII, subject to the limitations in this ARTICLE VII. The Buyer shall exercise the foregoing right of setoff by delivering a written notice to the Sellers. If the amount of any Losses relating to claims for indemnification made by the Buyer that is setoff against any payment under Section 2.02(b) is finally determined, and no longer subject to appeal, not to be owed to the Buyer pursuant to the terms hereof, such setoff amount shall be promptly funded with 6% interest, and in any event within twenty (20) Business Days, by the Buyer to the Sellers and distributed as set forth in this ARTICLE VII.

Section 7.06 Tax Treatment of Indemnification Payments. All indemnification payments made under this Agreement shall be treated by the parties as an adjustment to the Purchase Price for tax purposes, unless otherwise required by applicable law.

Section 7.07 Effect of Investigation. The Buyer’s right to indemnification or other remedy based on the representations, warranties, covenants, and agreements of the Sellers contained herein will not be affected by any investigation conducted by the Buyer, or any knowledge acquired by the Buyer at any time, with respect to the accuracy or inaccuracy of or compliance with, any such representation, warranty, covenant, or agreement.

Section 7.08 Exclusive Remedies. The rights and remedies provided in this ARTICLE VII are exclusive and in substitution for any other rights and remedies available at law or in equity or otherwise.

ARTICLE VIII MISCELLANEOUS

Section 8.01 Expenses. All costs and expenses incurred in connection with this Agreement and the transactions contemplated hereby shall be paid by the Party incurring such costs and expenses.

Section 8.02 Further Assurances. Following the Closing, each of the parties hereto shall, and shall cause their respective Affiliates to, execute and deliver such additional documents, instruments, conveyances, and assurances and take such further actions as may be reasonably required to carry out the provisions hereof and give effect to the transactions contemplated by this Agreement.

Section 8.03 Notices. All notices, requests, consents, claims, demands, waivers, and other communications hereunder shall be in writing and shall be deemed to have been given: (a) when delivered by hand (with written confirmation of receipt); (b) when received by the addressee if sent by a nationally recognized overnight courier (receipt requested); (c) on the date sent by facsimile or email of a PDF document (with confirmation of transmission) if sent during normal business hours of the recipient, and on the next Business Day if sent after normal business hours of the recipient; or (d) on the third day after the date mailed, by certified or registered mail, return receipt requested, postage prepaid. Such communications must be sent to the respective parties at the following addresses (or at such other address for a Party as shall be specified in a notice given in accordance with this Section 8.03):

If to Sellers:

J. Merlin Benner
PO Box 226
Haines, AK 99827
E-mail: merlinbenner@gmail.com

Phillip J. Benner
14 Garrett Lane
Liberty, PA 16930
E-mail: Philbenner@gmail.com

Jonas M. Benner
2780 Hills Creek Road
Wellsboro, PA 16901
E-mail: jonasbenner226@gmail.com

Benjamin P. Benner
76 Pleasant Drive
Lawrenceville, PA 16929
E-mail: Ben.benner3@gmail.com

Angelica M. Benner
711 Washington Avenue, Apartment 1
Carnegie, PA 15106
E-mail: bennerangelica@gmail.com

with a copy to:
(which shall not
constitute notice)

Ozdinec & Witzel, LLC One Landmark North
20399 Route 19
STE 206
Cranberry Twp., PA 16066
Email: mozdinec@ozwitz.com
Attention: Michael Ozdinec
DarkPulse, Inc.
815 Walker Street
Suite 1155
Houston, TX 77002
Email: doleary@darkpulse.com

If to Buyer:

with a copy to:
(which shall not
constitute notice)

Business Legal Advisors, LLC
14888 Auburn Sky Drive
Draper, UT 84020
Email: brian@businesslegaladvisor.com
Attention: Brian Higley

Section 8.04 Headings. The headings in this Agreement are for reference only and shall not affect the interpretation of this Agreement.

Section 8.05 Severability. If any term or provision of this Agreement is invalid, illegal, or unenforceable in any jurisdiction, such invalidity, illegality, or unenforceability shall not affect any other term or provision of this Agreement or invalidate or render unenforceable such term or provision in any other jurisdiction. Upon a determination that any term or other provision is invalid, illegal, or unenforceable, the parties hereto shall negotiate in good faith to modify the Agreement so as to effect the original intent of the parties as closely as possible in a mutually acceptable manner in order that the transactions contemplated hereby be consummated as originally contemplated to the greatest extent possible.

Section 8.06 Entire Agreement. This Agreement and the documents to be delivered hereunder constitute the sole and entire agreement of the parties to this Agreement with respect to the subject matter contained herein, and supersede all prior and contemporaneous understandings and agreements, both written and oral, with respect to such subject matter. In the event of any inconsistency between the terms and provisions in the body of this Agreement and those in the documents delivered in connection herewith, the Exhibits, and the Disclosure Schedule (other than an exception expressly set forth as such in the Disclosure Schedule), the terms and provisions in the body of this Agreement shall control.

Section 8.07 Successors and Assigns. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and permitted assigns. Neither Party may assign its rights or obligations hereunder without the prior written consent of the other Party, which consent shall not be unreasonably withheld or delayed. No assignment shall relieve the assigning Party of any of its obligations hereunder.

Section 8.08 No Third-Party Beneficiaries. This Agreement is for the sole benefit of the parties hereto and their respective successors and permitted assigns and nothing herein, express or implied, is intended to or shall confer upon any other person or entity any legal or equitable right, benefit, or remedy of any nature whatsoever under or by reason of this Agreement.

Section 8.09 Amendment and Modification. This Agreement may only be amended, modified, or supplemented by an agreement in writing signed by each Party hereto.

Section 8.10 Waiver. No waiver by any Party of any of the provisions hereof shall be effective unless explicitly set forth in writing and signed by the Party so waiving. No waiver by any Party shall operate or be construed as a waiver in respect of any failure, breach, or default not expressly identified by such written waiver, whether of a similar or different character, and whether occurring before or after that waiver. No failure to exercise, or delay in exercising, any right, remedy, power, or privilege arising from this Agreement shall operate or be construed as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power, or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power, or privilege.

Section 8.11 Governing Law. This Agreement and all related documents shall be governed by and construed in accordance with the internal laws of the State of Texas without giving effect to any choice or conflict of law provision or rule (whether of the State of Texas or any other jurisdiction).

Section 8.12 Submission to Jurisdiction. Any legal suit, action, proceeding, or dispute arising out of or related to this Agreement or the transactions contemplated hereby may be instituted in the federal courts of the United States of America or the courts of the State of Texas in each case located in the City of Houston and County of Harris, and each Party irrevocably submits to the exclusive jurisdiction of such courts in any such suit, action, proceeding, or dispute.

Section 8.13 Attorney Fees. In the event of any dispute between the parties concerning the terms and provisions of this Agreement, the Party prevailing in such dispute shall be entitled to collect from the other Party all costs incurred in such dispute, including reasonable attorneys' fees.

Section 8.14 Waiver of Jury Trial. EACH PARTY ACKNOWLEDGES AND AGREES THAT ANY CONTROVERSY WHICH MAY ARISE UNDER THIS AGREEMENT IS LIKELY TO INVOLVE COMPLICATED AND DIFFICULT ISSUES AND, THEREFORE, EACH SUCH PARTY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LEGAL ACTION ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

Section 8.15 Specific Performance. The parties agree that irreparable damage would occur if any provision of this Agreement were not performed in accordance with the terms hereof and that the parties shall be entitled to specific performance of the terms hereof, in addition to any other remedy to which they are entitled at law or in equity. Each Party hereto: (a) agrees that it shall not oppose the granting of such specific performance or relief; and (b) hereby irrevocably waives any requirements for the security or posting of any bond in connection with such relief.

Section 8.16 Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall be deemed to be one and the same agreement. A signed copy of this Agreement delivered by facsimile, email, or other means of electronic transmission shall be deemed to have the same legal effect as delivery of an original signed copy of this Agreement.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the date set forth above.

SELLERS:

By: /s/ J. Merlin Benner
Name: J. Merlin Benner

By: /s/ Phillip J. Benner
Name: Phillip J. Benner

By: /s/ Jonas M. Benner
Name: Jonas M. Benner

By: /s/ Benjamin P. Benner
Name: Benjamin P. Benner

By: /s/ Angelica M. Benner
Name: Angelica M. Benner

BUYER:

DARKPULSE, INC.
a Delaware corporation

By: /s/ Dennis O'Leary
Name: Dennis O'Leary
Title: Chief Executive Officer

EXHIBIT A

Assignment and Assumption Agreement

This Assignment and Assumption Agreement (the "**AAA Agreement**"), is effective on the Closing Date, as defined by the Membership Interest Purchase Agreement dated August 24, 2022 (the "**Effective Date**"), by, between, and among J. Merlin Benner, Phillip J. Benner, Benjamin P. Benner, Jonas M. Benner, and Angelica M. Benner (collectively referred to as the "**Sellers**") and DarkPulse, Inc., a Delaware corporation (the "**Buyer**" or "**DarkPulse**"). Each of the Buyer and the Sellers shall be referred to herein as a "Party", and, together, as the "Parties."

WHEREAS, Sellers and Buyer have entered into a certain Membership Interest Purchase Agreement, dated as of August 24, 2022 (the "**Purchase Agreement**"), pursuant to which, among other things, Sellers have agreed to assign all of its rights, title and interests in, and Buyer has agreed to assume all of Sellers' duties and obligations under, the Assumption of Debt, as shown in Schedule 1, and Payment of Shareholder Loans, as shown in Schedule 1, (as defined in the Purchase Agreement).

NOW, THEREFORE, in consideration of the mutual covenants, terms, and conditions set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. Definitions. All capitalized terms used in the AAA Agreement but not otherwise defined herein are given the meanings set forth in the Purchase Agreement.
2. Assignment and Assumption. Sellers hereby sell, assign, grant, convey and transfer to Buyer all of Sellers' right, title and interest in and to the Assumption of Debt and Payment of Shareholder Loans as shown on Schedule 1, which is attached and incorporated into this AAA Agreement. Buyer hereby accepts such assignment and assumes all of Sellers' duties and obligations under the Assumption of Debt and Payment of Shareholder Loans and agrees to pay, perform and discharge, as and when due, all of the obligations of Sellers under the Assumption of Debt and Payment of Shareholder Loans which are now due or accrue on and after the Effective Date.
3. Terms of the Purchase Agreement. The terms of the Purchase Agreement, including, but not limited to, the representations, warranties, covenants, agreements and indemnities relating to the Assumption of Debt and Payment of Shareholder Loans are incorporated herein by this reference. The parties hereto acknowledge and agree that the representations, warranties, covenants, agreements and indemnities contained in the Purchase Agreement shall not be superseded hereby but shall remain in full force and effect to the full extent provided therein. In the event of any conflict or inconsistency between the terms of the Purchase Agreement and the terms hereof, the terms of the Purchase Agreement shall govern.
4. Governing Law. This agreement shall be governed by and construed in accordance with the internal laws of the State of Texas without giving effect to any choice or conflict of law provision or rule.
5. Counterparts. This agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall be deemed to be one and the same. A signed copy of this AAA Agreement delivered by facsimile, email or other means of electronic transmission shall be deemed to have the same legal effect as delivery of an original signed copy of this AAA Agreement.
6. Further Assurances. Each of the parties hereto shall execute and deliver, at the reasonable request of the other party hereto, such additional documents, instruments, conveyances and assurances and take such further actions as such other party may reasonably request to carry out the provisions hereof and give effect to the transactions contemplated by this AAA Agreement.

[SIGNATURE PAGE FOLLOWS]

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IN WITNESS WHEREOF, the parties have executed this Assignment and Assumption Agreement to be effective as of the date first above written.

SELLERS:

By _____
Name: J. Merlin Benner

By _____
Name: Phillip J. Benner

By _____
Name: Jonas M. Benner

By _____
Name: Benjamin P. Benner

By _____
Name: Angelica M. Benner

BUYER:

DARKPULSE, INC.
A Delaware Corporation

By _____
Name: Dennis O'Leary
Title: Chief Executive Officer

Schedule 1

Remote Intelligence									
Loan	Purpose	Starting Balance	Remaining Balance	Status	# Payments Remaining	Payment Amount	Monthly Payment Date	Origin Date	Maturity Date
NW loan #4105	for Drone M300 & laser methane detector	\$ 81,621.65	\$ 62,980.90	current	45	\$ 1,530.20	14th	4/14/2021	4/14/2026
NW loan #5699	Short Term Loan - for development through COVID	97,500.00	51,763.69	current	18	2,980.63	15th	4/15/2020	1/1/2024
Wells Fargo	equipment - tractor for habitat management projects	36,514.02	25,212.08	current	57	434.69	23rd	4/23/2020	5/1/2027
Ag Choice	equipment-tiller for habitat management projects	2,905.96	2,471.56	current	56	40.64	1st	3/26/2021	5/1/2028
SBA EIDL	emergency funding to support staff through COVID	103,000.00	102,597.00	current				5/27/2020	
Line of Credit#1029	Buy equipment to mobilize on projects	100,000.00	99,971.35	current	indefinite - paying interest only	about 475.00- varies	8th	3/8/2019	
NW Credit card	Operational credit card for expenses	10,000.00	9,626.31	current	indefinite	about 550- varies	9th	4/1/2021	
Chase Credit card	Operational credit card for expenses	23,000.00	22,393.68	current	indefinite	about 550-600- varies	24th	4/1/2020	
Personal Loans	Jon Benner - owner investments	181,947.00	181,947.00	current				2015-2021	6/1/2022
Personal Loans	Phil Benner - owner investments	44,949.58	44,949.58	current				2016-2022	
DarkPulse Loans	partner contribution	8,000.00	8,000.00						
DarkPulse Loans	payroll/operations	30,000.00	30,000.00					3/9/2022	
DarkPulse Loans	payroll/operations	15,000.00	15,000.00					4/6/2022	
DarkPulse Loans	payroll/operations	12,563.15	12,563.15					4/27/2022	
DarkPulse Loans	payroll/operations	7,654.00	7,654.00					5/5/2022	
DarkPulse Loans	payroll/operations	12,634.50	12,634.50					5/24/2022	
DarkPulse Loans	payroll/operations	18,000.00	18,000.00					6/9/2022	
DarkPulse Loans	payroll/operations	11,629.29	11,629.29					6/22/2022	
	Total DarkPulse		115,480.94						

EXHIBIT B**Employment Agreement**

This Employment Agreement (the "Agreement") is made and entered into as of August ____, 2022, by and between ____ (the "Executive") and Remote Intelligence, Limited Liability Company, a Pennsylvania limited liability company, (referred to as the "Company").

WHEREAS, the Company desires to employ the Executive on the terms and conditions set forth herein; and

WHEREAS, the Executive desires to be employed by the Company on such terms and conditions.

NOW, THEREFORE, in consideration of the mutual covenants, promises, and obligations set forth herein, the parties agree as follows:

1. **Term.** The Executive's employment hereunder shall be effective as of the date of the Membership Interest Purchase Agreement dated ____ (the "Effective Date") and shall continue until the third anniversary thereof, unless terminated earlier pursuant to Section 5 of this Agreement; provided that, on such third anniversary of the Effective Date and each annual anniversary thereafter (such date and each annual anniversary thereof, a "Renewal Date"), the Agreement shall be deemed to be automatically extended, upon the same terms and conditions, for successive periods of one year, unless either party provides written notice of its intention not to extend the term of the Agreement at least sixty (60) days' prior to the applicable Renewal Date. The period during which the Executive is employed by the Company is hereinafter referred to as the "Employment Term."

2. **Position and Duties.**

2.1 **Position.** During the Employment Term, the Executive shall serve as the ____ of the Company, reporting to DarkPulse, Inc. ("DarkPulse") a Delaware corporation. In such position, the Executive shall have such duties, authority, and responsibilities as shall be determined from time to time by DarkPulse, which duties, authority, and responsibilities are consistent with the Executive's position.

2.2 **Duties.** During the Employment Term, the Executive shall devote substantially all of the Executive's business time and attention to the performance of the Executive's duties hereunder and will not engage in any other business, profession, or occupation for compensation or otherwise which would substantially conflict or interfere with the performance of such services.

3. **Place of Performance.** The principal place of Executive's employment shall be the Executive's home office; however, the principal place of Executive's employment may be modified at the discretion of the Company.

4. **Compensation.**

4.1 **Base Salary.** The Company shall pay the Executive an annual base salary of \$ ____ in periodic installments in accordance with the Company's customary payroll practices and applicable wage payment laws, but no less frequently than monthly. Executive's base salary may not be decreased during the Employment Term without the Executive's consent.

4.2 Employee Benefits. During the Employment Term, the Executive shall be entitled to participate in all employee benefit plans, practices, and programs maintained by the Company.

4.3 Business Expenses. The Executive shall be entitled to reimbursement for all reasonable and necessary out-of-pocket business, entertainment, and travel expenses incurred by the Executive in connection with the performance of the Executive's duties hereunder in accordance with the Company's expense reimbursement policies and procedures.

4.4 Indemnification. In the event that the Executive is made a party or threatened to be made by a third-party to a party to any action, suit, or proceeding, whether civil, criminal, administrative, or investigative (a "Proceeding"), by reason of the fact that the Executive is or was a director or officer of the Company, or any affiliate of the Company, or is or was serving at the request of the Company as a director, officer, member, employee, or agent of another corporation or a partnership, joint venture, trust, or other enterprise, except in the event of Executive's gross negligence, willful misconduct, or bad faith, the Executive shall be indemnified and held harmless by the Company to the fullest extent applicable to any other officer or director of the Company from and against any liabilities, costs, claims, and expenses, including all costs and expenses incurred in defense of any Proceeding, including attorneys' fees.

5. Termination of Employment. The Employment Term and the Executive's employment hereunder may be terminated by either the Company or the Executive at any time and for any reason; provided that, either party shall be required to give the other party at least sixty (60) days advance written notice of any termination of the Executive's employment. On termination of the Executive's employment during the Employment Term, the Executive shall be entitled to the compensation and benefits described in this Agreement and shall have no further rights to any compensation or any other benefits from the Company or any of its affiliates.

5.1 Notice of Termination. Any termination of the Executive's employment hereunder by the Company or by the Executive during the Employment Term shall be communicated by written notice of termination ("Notice of Termination") to the other party hereto in accordance with Section 13. The Notice of Termination shall specify:

- (a) the termination provision of this Agreement relied upon;
- (b) to the extent applicable, the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated; and
- (c) the applicable Termination Date.

5.2 Termination Date. The Executive's "Termination Date" shall be:

- (a) If the Executive's employment hereunder terminates on account of the Executive's death, the date of the Executive's death;
- (b) If the Executive's employment hereunder is terminated on account of the Executive's disability, the date that it is determined that the Executive has an incapacity due to physical or mental illness to perform his or her full-time duties with the Company for a continuous period of three months or an aggregate of four months in any 12 month period;
- (c) If the Company terminates the Executive's employment for any other reason, then the date specified in the Notice of Termination, which shall be no less than sixty (60) days following the date on which the Notice of Termination is delivered. Upon Notice of Termination, the Company shall have the option to provide the Executive with a lump sum payment equal to sixty (60) days' of the Executive's base salary in lieu of such notice, which shall be paid in a lump sum on the Executive's Termination Date and for all purposes of this Agreement, then the Executive's Termination Date shall be the date on which such Notice of Termination is delivered;
- (d) If the Executive terminates the Executive's employment with or without good reason, the date specified in the Executive's Notice of Termination shall be no less than sixty (60) days following the date on which the Notice of Termination is delivered; provided that, the Company may waive all or any part of the sixty (60) day notice period for no consideration by giving written notice to the Executive and the Executive's Termination Date shall be the date determined by the Company; and
- (e) If the Executive's employment hereunder terminates because either party provides notice of non-renewal pursuant to Section 1, the Renewal Date immediately following the date on which the applicable party delivers notice of non-renewal.

5.3 Exit Obligations. Upon (a) voluntary or involuntary termination of the Executive's employment or (b) the Company's request at any time during the Executive's employment, the Executive shall (i) provide or return to the Company any and all Company property and all Company documents and materials belonging to the Company and stored in any fashion, including but not limited to those that constitute or contain any confidential information or work product, that are in the possession or control of the Executive, whether they were provided to the Executive by the Company or any of its business associates or created by the Executive in connection with the Executive's employment by the Company.

6. Non-Competition and Non-Solicitation.

6.1 The Executive will not, while an employee of the Company, and for a period of one (1) year following the termination of his or her employment (the "Restriction Period" as further defined below), directly or indirectly, without the prior written consent of the Company:

- (a) engage in any of the same or substantially similar activities, duties, or responsibilities in the line of business or relating to the line of business that the Executive had responsibility for or knowledge of while an employee of the Company, for any other company that competes with such line of business of the Company;
- (b) solicit or attempt to solicit any customer or client, or actively sought prospective customer or client, of the Company with respect to the businesses actively operated by the Company; or
- (c) assist any person or entity in any way to do, or attempt to do, anything prohibited by (a) or (b) above; or

(d) solicit, recruit or hire to work for the Executive or any organization with which the Executive is connected, any employees of the Company or any persons who, within one (1) year of such solicitation, recruitment or hire, have worked for the Company; or

(e) solicit or encourage any employee of the Company to leave the services of the Company; or

(f) intentionally interfere with the relationship of the Company with any person who is employed by or otherwise engaged to perform services for the Company; provided, that neither (I) the general advertisement for employees or the general solicitation of employees by a recruiter, nor (II) the Executive's being named as an employment reference for a current or former employee of the Company and responding to ordinary course inquiries made of the Executive by prospective employers of such employee in connection with such reference, shall be deemed a violation of this clause (f).

The "Restriction Period" means the one-year period following the cessation of the Executive's employment with the Company for any reason. The Restriction Period shall be tolled during (and shall be deemed automatically extended by) any period in which the Employee is in violation of the provisions of this Section 6.

6.2 Notwithstanding anything to the contrary contained in this Agreement, the foregoing covenant will not be deemed breached as a result of the Employee's passive ownership of less than an aggregate of 5% of any class of securities of any entity listed in Section 6; provided, however, that such stock is listed on a national securities exchange or is quoted on the National Market System of NASDAQ.

6.3 If any provision or clause of this Agreement, or portion thereof, is held by any court or other tribunal of competent jurisdiction to be illegal, invalid, unreasonable, or otherwise unenforceable against the Executive, the remainder of such provision shall not be thereby affected and will be deemed to be modified to the minimum extent necessary to remain in force and effect for the longest period and largest geographic area that would not constitute such an unreasonable or unenforceable restriction. It is the express intention of the parties that, if any court or other tribunal of competent jurisdiction construes any provision or clause of this Agreement, or portion thereof, is held by any court or other tribunal of competent jurisdiction to be illegal, invalid, unreasonable, or otherwise unenforceable against the Executive because of the duration of such provision, the scope of the subject matter, or the geographic area covered thereby, such court or tribunal shall reduce the duration, scope, or area of such provision, and, in its reduced form, such provision shall then be enforceable and be enforced. Moreover, notwithstanding the fact that any provision of this Section 6 is determined not to be enforceable in equity, the Company will nevertheless be entitled to recover monetary damages as a result of the Executive's breach of such provision.

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6.4 The Executive hereby agrees that prior to accepting employment with any other person or entity during any period during which the Executive remains subject to any of the covenants set forth in Section 6, the Executive shall provide such prospective employer with written notice of such provisions of this Agreement, with a copy of such notice delivered simultaneously to the Company.

7. Intellectual Property.

7.1 Any intellectual property, including, but not limited to, any ideas, inventions, patents, trademarks, service marks, copyrights, creations, know how, work product, and other developments or improvements, if any, patented or unpatented, that Executive, alone or with others, conceived, created, invented, developed, reduced to practice, or caused to be conceived and or caused to be reduced to practice prior to the earlier of (a) commencement of Executive's employment with the Company or (b) when Executive first provided services to Company, is listed on Schedule 3 attached hereto ("Prior Inventions").

7.2 Except with respect to Prior Inventions, all right, title, and interest of every kind and nature, whether now known or unknown, in and to any and all intellectual property, including, but not limited to, any ideas, inventions, patents, trademarks, service marks, copyrights, creations, know how, work product, properties and other developments or improvements, patented or unpatented, conceived, created, invented, written, developed, furnished, produced, disclosed, reduced to practice, or caused to be conceived and or caused to be reduced to practice in whole or in part, alone or with others, whether or not during working hours, by Executive during the term of Executive's employment with Company and for six (6) months thereafter, that are within the scope of Company's business operations or that relate to any of Company's work or projects, will, as and between Company and Executive, be and remain the sole and exclusive property of Company for any and all purposes and uses, and Executive hereby assigns, and agrees to assign, all rights thereto to Company. Intellectual property may be in any form including, but not limited to, written, oral, electronic, digital, or other form.

7.3 Work Made for Hire. Any work of Executive for which a copyright could be claimed developed in the course of Executive's employment with Company will be deemed "work made for hire" under federal copyright law and all ownership rights to such work belong exclusively to Company. To the extent any invention does not qualify as a work for hire under applicable law, and to the extent any invention is subject to copyright, patent, trade secret, or other proprietary right protection, Executive hereby assigns, and agrees to assign, all rights therein to Company.

7.4 Pre-Existing Work. If, in the course of Executive's relationship with Company, Executive uses, relies upon, provides, or incorporates any Prior Invention or any other intellectual property Executive owns, or in which Executive has an interest, into any idea, invention, patent, trademark, service mark, copyright, creation, know how, work product, and other development or improvement conceived, created, invented, written, developed, furnished, produced, or disclosed in whole or in part, alone or with others, whether or not during working hours, by Executive during the term of Executive's employment with Company, Executive hereby grants Company, under all of Executive's intellectual property and proprietary rights, the following worldwide, non-exclusive, perpetual, irrevocable, royalty free, fully paid up rights: (a) to make, use, copy, modify, and create derivative works of such intellectual property; (b) to publicly perform or display, import, broadcast, transmit, distribute, license, offer to sell, and sell, rent, lease or lend copies of the intellectual property, and derivative works of the intellectual property; and (c) to sublicense the rights in this Section 7 to third parties.

7.5 Required Undertakings. Executive agrees, both while an employee of Company and thereafter, to assist Company and its owners and affiliates, at Company's sole expense, in any and all attempts to obtain patents, copyrights, and/or trademarks or other intellectual property protection on any work Executive participated in developing and agrees to execute all documents necessary to obtain such rights in the name of or to transfer such rights to Company. If, because of Executive's mental or physical incapacity or for any other reason whatsoever, after the Company's reasonable effort to secure Executive's signature, Company is unable to secure Executive's signature to apply for or pursue any patents, copyrights, or other protection for any invention assigned to Company under this Agreement or otherwise, Executive irrevocably designates and appoints Company and its duly authorized officers as Executive's agent and attorney-in-fact to act for Executive and on Executive's behalf and stead to file any applications and to do all other lawfully-permitted acts to further the prosecution and issuance of any patents, copyrights, or other protections with the same legal force and effect as if executed by Executive.

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7.6 Limited Exclusion. This Section 7 does not apply to any inventions or intellectual property for which no equipment, supplies, facility or confidential information of Company was used, and which was developed entirely on Executive's own time, and (a) which does not relate (i) directly or indirectly to the business of Company or (ii) to Company's actual or demonstrably anticipated research or development, or (b) which does not result from any work performed by Executive for Company.

8. **Governing Law: Jurisdiction and Venue.** This Agreement, for all purposes, shall be construed in accordance with the laws of the State of Texas without regard to conflict of law principles. Any action or proceeding by either of the parties to enforce this Agreement shall be brought only in a state or federal court located in the State of Texas. The parties hereby irrevocably submit to the exclusive jurisdiction of such courts and waive the defense of inconvenient forum to the maintenance of any such action or proceeding in such venue.

9. **Non-Disparagement.** Executive agrees that during and after Executive's period of employment with Company, Executive will not, publicly or privately, disparage or defame Company or its affiliates, or any of Company's or its affiliates' employees, officers, directors, or agents.

10. **Injunctive Relief.** In the event of a breach or threatened breach of any covenant herein, Executive agrees that Company will be irreparably harmed, that money damages alone cannot adequately compensate Company, and that Company shall be entitled to temporary and injunctive relief as well as all applicable remedies at law or in equity available to Company against Executive including, if the Company is the prevailing party in an action to enforce the terms of this Agreement, reasonable attorneys' fees and costs incurred in bringing any action against Executive or otherwise enforcing the terms of this Agreement. Executive further agrees that in any such action, Company shall be entitled to relief without posting any bond or security.

11. **Entire Agreement.** Unless specifically provided herein, this Agreement contains all of the understandings and representations between the Executive and the Company pertaining to the subject matter hereof and supersedes all prior and contemporaneous understandings, agreements, representations, and warranties, both written and oral, with respect to such subject matter. The parties mutually agree that the Agreement can be specifically enforced in court and can be cited as evidence in legal proceedings alleging breach of the Agreement.

12. **Modification and Waiver.** No provision of this Agreement may be amended or modified unless such amendment or modification is agreed to in writing and signed by the Executive and the Company. Any waiver of any term of this Agreement by a party shall not be deemed a waiver of any other provision or condition of this Agreement, nor shall the failure of or delay in exercising any right, power, or privilege under this Agreement operate as a waiver of such right, power, or privilege.

13. **Severability.** Should any provision of this Agreement be held by a court of competent jurisdiction to be enforceable only if modified, or if any portion of this Agreement shall be held as unenforceable, such holding shall not affect the validity of the remainder of this Agreement. The parties further agree that any such court is expressly authorized to modify any such unenforceable provision of this Agreement in lieu of severing such unenforceable provision from this Agreement in its entirety, whether by rewriting the provision, deleting any or all of the provision, adding additional language to this Agreement, or by making such other modifications as it deems warranted to carry out the intent of the parties.

14. **Captions.** Captions and headings of the sections and paragraphs of this Agreement are intended solely for convenience and no provision of this Agreement is to be construed by reference to the caption or heading of any section or paragraph.

15. **Counterparts.** This Agreement may be executed in separate counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one and the same instrument.

16. **Successors and Assigns.** This Agreement is personal to the Executive and shall not be assigned by the Executive. Any purported assignment by the Executive shall be null and void from the initial date of the purported assignment. The Company may assign this Agreement to any successor or assign all or substantially all of the business or assets of the Company. This Agreement shall inure to the benefit of the Company and permitted successors and assigns.

17. **Notice.** Notices and all other communications provided for in this Agreement shall be in writing and shall be delivered personally or sent by registered or certified mail, return receipt requested, or by overnight carrier to the parties at the addresses set forth below (or such other addresses as specified by the parties by like notice):

If to Executive:

E-mail: _____

with a copy to:
(which shall not
constitute notice)

Ozdinec & Witzel, LLC
One Landmark North
20399 Route 19
STE 206
Cranberry Twp., PA 16066
Email: mozdinec@ozwitz.com
Attention: Michael Ozdinec

If to Company:

DarkPulse, Inc.
815 Walker Street
Suite 1155
Houston, TX 77002
Email: doleary@darkpulse.com

with a copy to:
(which shall not
constitute notice)

Business Legal Advisors, LLC
14888 Auburn Sky Drive
Draper, UT 84020
Email: brian@businesslegaladvisor.com
Attention: Brian Higley

18. **Representations of the Executive.** The Executive represents and warrants to the Company that the Executive's acceptance of employment with the Company and the performance of duties hereunder will not conflict with or result in a violation of, a breach of, or a default under any contract, agreement, or understanding to which the Executive is a party or is otherwise bound.

19. **Withholding.** The Company shall have the right to withhold from any amount payable hereunder any federal, state, and local taxes in order for the Company to satisfy any withholding tax obligation it may have under any applicable law or regulation.

20. **Survival.** Upon the expiration or other termination of this Agreement, the respective rights and obligations of the parties hereto shall survive such expiration or other termination to the extent necessary to carry out the intentions of the parties under this Agreement.

2 1 . Acknowledgement of Full Understanding. THE EXECUTIVE ACKNOWLEDGES AND AGREES THAT THE EXECUTIVE HAS FULLY READ, UNDERSTANDS AND VOLUNTARILY ENTERS INTO THIS AGREEMENT. THE EXECUTIVE ACKNOWLEDGES AND AGREES THAT THE EXECUTIVE HAS HAD AN OPPORTUNITY TO ASK QUESTIONS AND CONSULT WITH AN ATTORNEY OF THE EXECUTIVE'S CHOICE BEFORE SIGNING THIS AGREEMENT.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

REMOTE INTELLIGENCE, LLC

By _____
Name: [NAME OF OFFICER]
Title: [TITLE OF OFFICER]

EXECUTIVE
Signature: _____

MEMBERSHIP INTEREST PURCHASE AGREEMENT

Between

J. MERLIN BENNER
PHILLIP J. BENNER
JONAS M. BENNER
BENJAMIN P. BENNER
ANGELICA M. BENNER

And

DARKPULSE, INC.

dated as of

August 24, 2022

MEMBERSHIP INTEREST PURCHASE AGREEMENT

This Membership Interest Purchase Agreement (this “**Agreement**”), dated as of August 24, 2022 (the “**Effective Date**”), is entered into by, between, and among J. Merlin Benner, Phillip J. Benner, Benjamin P. Benner, Jonas M. Benner, and Angelica M. Benner (collectively referred to as the “**Sellers**”), who own forty percent (40%) of the equity interests of Wildlife Specialists, Limited Liability Company, a Pennsylvania limited liability company (the “**Company**”), and DarkPulse, Inc., a Delaware corporation (the “**Buyer**” or “**DarkPulse**”). Each of the Buyer and the Sellers shall be referred to herein as a “**Party**”, and, together, as the “**Parties**.”

RECITALS

WHEREAS, on August 30, 2021, the Buyer purchased from the Seller sixty percent (60%) of the equity interests of the Company pursuant to a Membership Interest Purchase Agreement (the “**MIPA**”);

WHEREAS, the Sellers own, in the aggregate, the remaining forty percent (40%) of the equity interests (the “**Membership Interest**”) in the Company;

WHEREAS, the Sellers wishes to sell to the Buyer, and the Buyer wishes to purchase from the Sellers, the Membership Interest so that, upon closing, the Buyer shall own all of the equity in the Company and the Company shall become a wholly-owned subsidiary of the Buyer, subject to the terms and conditions set forth herein.

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

ARTICLE I
DEFINITIONS

Section 1.01 “Action” means a claim, action, suit, proceeding, or governmental investigation.

Section 1.02 “Affiliate” of a Person means any other Person that directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, such Person.

Section 1.03 “Assignment and Assumption” shall have the meaning set forth in Section 5.01(a).

Section 1.04 “Business Day” means any day of the year other than a Saturday or Sunday or any day on which banks in the State of New York are required or permitted to be closed.

Section 1.05 [Reserved]

Section 1.06 “Certificate of Formation” shall have the meaning set forth in Section 3.03.

Section 1.07 “Change of Control Transaction” means the occurrence after the date hereof of any of (a) an acquisition from the Buyer by an individual or legal entity or “group” (as described in Rule 13d-5(b)(1) promulgated under the Exchange Act) of in excess of 50% of the voting securities of the Buyer (other than by the Sellers or their Affiliates), (b) the Buyer merges into or consolidates with any other Person, or any Person merges into or consolidates with the Buyer and, after giving effect to such transaction, the stockholders of the Buyer immediately prior to such transaction own less than 50% of the aggregate voting power of the Buyer or the successor entity of such transaction, or (c) the Buyer sells, licenses or transfers all or substantially all of the assets of the Company.

Section 1.08 “Closing” means the closing of the transactions contemplated by this Agreement.

Section 1.09 “Closing Date” means the date of execution of this Agreement.

Section 1.10 “Code” means the Internal Revenue Code of 1986, as amended.

Section 1.11 “Common Stock” means the common stock of the Buyer, par value \$0.0001, and any other class of securities into which such securities may hereafter be reclassified or changed.

Section 1.12 “Common Stock Consideration” shall have the meaning set forth in Section 2.02(a).

Section 1.13 “Common Stock Equivalents” means any securities of the Buyer or its subsidiaries which would entitle the holder thereof to acquire at any time Common Stock, including, without limitation, any debt, preferred stock, right, option, warrant or other instrument that is at any time convertible into or exercisable or exchangeable for, or otherwise entitles the holder thereof to receive, Common Stock.

Section 1.14 “Confidential Information” means any information with respect to the Company, including methods of operation, customer lists, products, prices, fees, costs, technology, inventions, trade secrets, know-how, software, marketing methods, plans, personnel, suppliers, competitors, markets or other specialized information or proprietary matters. “Confidential Information” does not include, and there shall be no obligation hereunder with respect to, information that (i) is generally available to the public on the date of this Agreement or (ii) becomes generally available to the public other than as a result of a disclosure not otherwise permissible hereunder.

Section 1.15 “Contract” means any contract, agreement, indenture, note, bond, mortgage, loan, instrument, lease, license, commitment or other arrangement, understanding, undertaking, commitment or obligation, whether written or oral.

Section 1.16 The term “control” (including the terms “controlled by” and “under common control with”) means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract, or otherwise.

Section 1.17 “Disclosure Schedule” means the Disclosure Schedule delivered by the Sellers concurrently with the execution and delivery of this Agreement.

Section 1.18 “Encumbrance” means any mortgage, pledge, lien, charge, security interest, community property interest, claim, or other encumbrance.

Section 1.19 “Exchange Act” the U.S. Securities Exchange Act of 1934, as amended.

Section 1.20 “Exempt Issuance” means the issuance and sale of (a) shares of Common Stock or options to employees, officers or directors of the Buyer pursuant to any stock or option plan duly adopted for such purpose, by a majority of the non-employee members of the Buyer’s board of directors or a majority of the members of a committee of non-employee directors established for such purpose for services rendered to the Buyer; (b) securities upon the exercise or exchange of securities exercisable or exchangeable for or convertible into shares of Common Stock issued and outstanding on the date of this Agreement, and (c) securities issued pursuant to acquisitions or strategic transactions approved by a majority of the disinterested directors of the Buyer; provided that any such issuance shall only be to a Person (or to the equityholders of a Person) which is, itself or through its subsidiaries, an operating company or an owner of an asset in a business synergistic with the business of the Buyer and shall provide to the Buyer significant benefits in addition to the investment of funds.

Section 1.21 “GAAP” means generally accepting accounting principles in the United States of America.

Section 1.22 “Governing Documents” means, with respect to an entity, the entity’s articles of incorporation, articles of organization, certificate of incorporation, certificate of formation, charter, bylaws, operating agreement, Operating Agreement, or other certificates, instruments, documents, or agreements adopted to govern the formation or internal affairs of the entity, as applicable, including any and all amendments or restatements to such documents.

Section 1.23 “Governmental Authorities” means any court, tribunal, arbitrator, agency, commission, department, ministry, official, authority, or other instrumentality of any national, state, county, city, or other political subdivision.

Section 1.24 “Indemnified Party” shall have the meaning set forth in Section 7.04.

Section 1.25 “Indemnifying Party” shall have the meaning set forth in Section 7.04.

Section 1.26 “Liability” shall have the meaning set forth in Section 4.09.

Section 1.27 “Loss” means all claims, judgments, damages, liabilities, settlements, losses, costs, and expenses, including reasonable attorneys’ fees and disbursements.

Section 1.28 “Material Adverse Effect” means any result, occurrence, fact, change, event or effect that, individually or in the aggregate, would reasonably be expected to have a material adverse effect on the long-term projected business, operations, assets, liabilities, condition (financial or otherwise) or results of, in each case, of the Buyer and its subsidiaries taken as a whole.

Section 1.29 “Operating Agreement” shall have the meaning set forth in Section 3.03.

Section 1.30 “Permits” means all permits, licenses, franchises, approvals, registrations, certificates, variances, and similar rights obtained, or required to be obtained, from governmental authorities.

Section 1.31 “Person” means an individual, corporation, partnership, joint venture, limited liability company, governmental authority, unincorporated organization, trust, association, or other entity.

Section 1.32 “Profitability” means EBITDA equal to or higher than the total debt owed by the Company.

Section 1.33 “Purchase Price” shall have the meaning set forth in Section 2.02.

Section 1.34 “Securities Act” means the U.S. Securities Act of 1933, as amended.

ARTICLE II PURCHASE AND SALE

Section 2.01 Purchase and Sale. Subject to the terms and conditions set forth herein, at the Closing, the Sellers shall sell to the Buyer, and the Buyer shall purchase from the Sellers, all of Sellers' rights, title, and interests in and to the Membership Interest, free and clear of any undisclosed Encumbrance, for the consideration specified in Section 2.02. At the Closing, the Company shall become a wholly-owned subsidiary of the Buyer and the Buyer shall own all of the equity interests in the Company. For purposes of this Agreement, all of the Sellers' rights, title, and interests in and to the Membership Interest shall include, but are not limited to: (a) Sellers' capital accounts in the Company; (b) Sellers' rights to share in the profits and losses of the Company; (c) Sellers' rights to receive distributions from the Company; (d) Sellers' debt obligations for the Company; and (e) the exercise of all member rights, including the voting rights attributable to the Membership Interest.

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Section 2.02 Purchase Price. The aggregate purchase price for the Membership Interest (the "**Purchase Price**") is comprised of the following:

- (a) **Assumption of Debt.** On the Closing Date, the Buyer shall assume legal responsibility for the payment of any and all debt of the Company that is not labelled under the column "Personal Loans" or "DarkPulse Loans", which is listed on Schedule 1 of the Assignment and Assumption Agreement, which is attached and incorporated into this Agreement as Exhibit A, herein; however, all personal guarantees provided by the Sellers and their affiliates will continue to be in place (the "**Assumption of Debt**"). At Closing, all debts, liabilities, obligations, restrictions, and duties of the Company shall become the debts, liabilities, obligations, restrictions, and duties of the Buyer as provided in Schedule 1 of the Assignment and Assumption Agreement (the "**Assumed Debt**").
- (b) **Payment of Shareholder Loans.** If the Company has six (6) months or two (2) quarters of Profitability, then the Buyer agrees to pay the debt of the Company that is labelled under the column "Personal Loans" or "DarkPulse Loans", which is listed on Schedule 2 of the attached Assignment and Assumption Agreement, which is attached and incorporated into this Agreement as Exhibit A, herein (the "**Shareholder Loans**"). Payment of the Shareholder Loans shall be made within fifteen (15) days of the Company achieving six (6) months or two (2) quarters of Profitability.
- (c) **Shares Held in Escrow.** Within thirty (30) days of the Effective Date and on the Closing Date, each of J. Merlin Benner and Phillip J. Benner shall tender to the Buyer for escrow (the "**Share Escrow**") Five Million (5,000,000) shares of the Buyer previously issued to the Seller pursuant to the MIPA (the "**Shares**"). The Shares shall be released from escrow to Messrs. Benner within fifteen (15) days of the Company achieving six (6) months of Profitability. In the event the Company does not achieve six (6) months of Profitability within twenty-four (24) months of the date of the Agreement, the Shares shall be cancelled.

Section 2.03 Closing. The Closing shall take place simultaneously on the Closing Date remotely via the electronic exchange of signatures. The consummation of the transactions contemplated by this Agreement shall be deemed to occur at 12:01 a.m. (EST) on the Closing Date.

Section 2.04 Transfer Taxes. Each of the Parties shall pay for their respective sales, use, or transfer taxes, documentary charges, recording fees, or similar taxes, charges, fees, or expenses, if any, that become due and payable as a result of the transactions contemplated by this Agreement.

ARTICLE III REPRESENTATIONS AND WARRANTIES OF THE SELLERS

Each of the Sellers, jointly and severally, represents and warrants to the Buyer that the statements contained in this ARTICLE III are true and correct as of the Closing Date. For purposes of this ARTICLE III, "Sellers' knowledge," "knowledge of the Sellers," and any similar phrases shall mean the actual or constructive knowledge of Sellers, after reasonable inquiry.

Section 3.01 Capacity and Authority of the Sellers; Enforceability. The Sellers have full capacity, power and authority to enter into this Agreement and the documents to be delivered hereunder, to carry out its obligations hereunder, and to consummate the transactions contemplated hereby. This Agreement and the documents to be delivered hereunder have been duly executed and delivered by the Sellers, and (assuming due authorization, execution, and delivery by the Buyer) this Agreement and the documents to be delivered hereunder constitute legal, valid, and binding obligations of the Sellers, enforceable against the Sellers in accordance with their respective terms.

Section 3.02 [RESERVED].

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Section 3.03 No Conflicts; Consents. The execution, delivery, and performance by the Sellers of this Agreement and the documents to be delivered hereunder, and the consummation of the transactions contemplated hereby, do not and will not: (a) violate or conflict with the Governing Documents of the Company; (b) violate or conflict with any judgment, order, decree, statute, law, ordinance, rule, or regulation applicable to the Sellers or the Company; (c) conflict with, or result in (with or without notice or lapse of time or both) any violation of, or default under, or give rise to a right of termination, acceleration, or modification of, any obligation or loss of any benefit under any contract or other instrument to which the Sellers or the Company is a party; (d) result in any violation, conflict with, or constitute a default under the Company's Governing Documents, including the certificate of formation of the Company filed with the Pennsylvania Secretary of State on May 6, 2013, as amended or restated (the "**Certificate of Formation**") and the operating agreement of the Company dated April 19, 2013, as amended or restated (the "**Operating Agreement**"); or (e) result in the creation or imposition of any Encumbrance on the Membership Interest. No consent, approval, waiver, or authorization is required to be obtained by the Sellers or the Company from any Person in connection with the execution, delivery, and performance by the Sellers of this Agreement and the consummation of the transactions contemplated hereby.

Section 3.04 Legal Proceedings; No Material Adverse Effect. There is no Action of any nature pending or, to Sellers' knowledge, threatened: (a) against or by the Sellers relating to or affecting the Membership Interest; or (b) against or by the Sellers or the Company that challenges or seeks to prevent, enjoin, or otherwise delay the transactions contemplated by this Agreement. There is no Action against any current, or to the Sellers' knowledge, former member, manager, or employee of the Company with respect to which the Company has, or is reasonably likely to have, an indemnification obligation. No event has occurred and no circumstances exist that may give rise to, or serve as a basis for, any such Action. No circumstance or state of affairs exists that would reasonably be expected to result in a material adverse effect on the Company's long-term project assets, liabilities, condition (financial or otherwise) or results of operations.

Section 3.05 Ownership of Membership Interest.

(a) The Sellers are the legal, beneficial, record, and equitable owners of the Membership Interest, free and clear of all Encumbrances whatsoever. The Membership Interest constitutes, in the aggregate, forty percent (40%) of the issued and outstanding equity interests in the Company and is the only remaining equity interests in the

Company not owned by the Buyer. There are no outstanding warrants, options, agreements or any other instruments that give any Person the right to purchase, subscribe for or otherwise acquire any equity interests in the Company.

(b) The Membership Interest was issued in compliance with applicable laws. The Membership Interest was not issued in violation of the Governing Documents of the Company or any other agreement, arrangement, or commitment to which the Sellers or the Company are a party and are not subject to or in violation of any preemptive or similar rights of any Person.

(c) Other than the Governing Documents of the Company, there are no voting trusts, proxies, or other agreements or understandings in effect with respect to the voting or transfer of any part of the Membership Interest.

Section 3.06 Governing Documents. The Certificate of Formation and the Operating Agreement of the Company are in full force and effect and are the only documents in effect with respect to the matters described therein.

Section 3.07 Brokers. No broker, finder, or investment banker is entitled to any brokerage, finder's, or other fee or commission in connection with the transactions contemplated by this Agreement based upon arrangements made by or on behalf of the Sellers.

Section 3.08 Compliance with Laws; Permits.

(a) The Company has complied, and is now complying, in all material respects, with all statutes, laws, ordinances, regulations, rules, codes, treaties, or other requirements of any governmental authority applicable to it or its business, properties, or assets.

(b) All Permits that are required for the Company to conduct its business have been obtained and are valid and in full force and effect. No event has occurred that would reasonably be expected to result in the revocation or lapse of any such Permit.

Section 3.09 Taxes. To the Sellers' knowledge: (a) all tax returns (including information returns) required to be filed on or before the Closing Date by the Company have been timely filed; (b) all such tax returns are true, complete, and correct in all respects; (c) all taxes due and owing by the Company (whether or not shown on any tax return) have been timely paid; (d) all deficiencies asserted, or assessments made, against the Company as a result of any examinations by any taxing authority have been fully paid; and (e) there are no pending or threatened actions by any taxing authority.

Section 3.10 Existing Debt Obligations. The debt obligations of the Company contained in Schedule 1 constitute all of the existing debt obligations of the Company as of the Closing Date.

ARTICLE IV REPRESENTATIONS AND WARRANTIES OF THE BUYER

The Buyer represents and warrants to the Sellers that the statements contained in this ARTICLE IV are true and correct as of the Closing Date. For purposes of this ARTICLE IV, "Buyer's knowledge," "knowledge of the Buyer," and any similar phrases shall mean the actual or constructive knowledge of any director or officer of the Buyer, after reasonable inquiry.

Section 4.01 Capacity/Organization and Authority of Buyer; Enforceability. The Buyer is a corporation duly organized, validly existing, and in good standing under the laws of the State of Delaware. The Buyer has full corporate power and authority to enter into this Agreement and the documents to be delivered hereunder, to carry out its obligations hereunder, and to consummate the transactions contemplated hereby. The execution, delivery, and performance by the Buyer of this Agreement and the documents to be delivered hereunder and the consummation of the transactions contemplated hereby have been duly authorized by all requisite corporate action on the part of the Buyer. This Agreement and the documents to be delivered hereunder have been duly executed and delivered by the Buyer and, assuming due authorization, execution, and delivery by the Sellers, this Agreement and the documents to be delivered hereunder constitute legal, valid, and binding obligations of the Buyer enforceable against the Buyer in accordance with their respective terms.

Section 4.02 No Conflicts; Consents. The execution, delivery, and performance by the Buyer of this Agreement and the documents to be delivered hereunder, and the consummation of the transactions contemplated hereby, do not and will not: (a) violate or conflict with the certificate of incorporation, bylaws, or other governing documents of the Buyer; (b) violate or conflict with any judgment, order, decree, statute, law, ordinance, rule, or regulation applicable to the Buyer; or (c) conflict with, or result in (with or without notice or lapse of time or both) any violation of, or default under, or give rise to a right of termination, acceleration, or modification of, any obligation or loss of any benefit under any contract or other instrument to which the Buyer is a party. No consent, approval, waiver, or authorization is required to be obtained by the Buyer from any Person in connection with the execution, delivery, and performance by the Buyer of this Agreement and the consummation of the transactions contemplated hereby.

Section 4.03 Investment Purpose. The Buyer is acquiring the Membership Interest solely for its own account for investment purposes and not with a view to, or for offer or sale in connection with, any distribution thereof. The Buyer acknowledges that the Membership Interest is not registered under the Securities Act, or registered under any state securities laws, and that the Membership Interest may not be transferred or sold except pursuant to the registration provisions of the Securities Act, or pursuant to an applicable exemption therefrom and subject to state securities laws and regulations, as applicable.

Section 4.04 Brokers. No broker, finder, or investment banker is entitled to any brokerage, finder's, or other fee or commission in connection with the transactions contemplated by this Agreement based upon arrangements made by or on behalf of the Buyer.

Section 4.05 Legal Proceedings. There is no Action of any nature pending or, to the Buyer's knowledge, threatened against or by the Buyer that (i) challenges or seeks to prevent, enjoin, or otherwise delay the transactions contemplated by this Agreement or (ii) could result in any material liability to the Buyer. No event has occurred or circumstances exist that may give rise to, or serve as a basis for, any such Action.

Section 4.06 SEC Reports; Financial Statements. The Buyer has filed all Quarterly Reports on Form 10-Q and Annual Reports on Form 10-K required to be filed by the Buyer under the Securities Act and the Exchange Act, including pursuant to Section 13(a) or 15(d) thereof, for the two years preceding the date hereof (or such shorter period as the Buyer was required by law or regulation to file such material) (the foregoing materials, including the exhibits thereto and documents incorporated by reference therein, being collectively referred to herein as the "SEC Reports") on a timely basis or has received a valid extension of such time of filing and has filed any such SEC Reports prior to the expiration of any such extension. As of their respective dates, the SEC Reports complied in all material respects with the requirements of the Securities Act and the Exchange Act,

as applicable, and none of the SEC Reports, when filed, contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading. The financial statements of the Buyer included in the SEC Reports comply in all material respects with applicable accounting requirements and the rules and regulations of the Commission with respect thereto as in effect at the time of filing. Such financial statements have been prepared in accordance with GAAP, except as may be otherwise specified in such financial statements or the notes thereto and except that unaudited financial statements may not contain all footnotes required by GAAP, and fairly present in all material respects the financial position of the Buyer and its consolidated subsidiaries as of and for the dates thereof and the results of operations and cash flows for the periods then ended, subject, in the case of unaudited statements, to normal, immaterial, year-end audit adjustments.

Section 4.07 No Material Adverse Effect. Since the date of the Buyer's latest Quarterly Report on Form 10-Q or Annual Report on Form 10-K, whichever was filed last, there has been no event, occurrence or development that has had or that could reasonably be expected to result in a Material Adverse Effect.

ARTICLE V CLOSING DELIVERABLES

Section 5.01 Sellers' Deliverables. At the Closing, the Sellers shall deliver to the Buyer the following:

- (a) The Assignment and Assumption Agreement, in the form attached hereto as Exhibit A (the "**Assignment and Assumption**"), executed by the Sellers.
- (b) Copies of the resignation or resignations of the Seller and any representatives of the Seller, effective as of the Effective Date, if the Seller or any of its representatives are serving as a manager, on the management committee, or similar governing body of the Company, or as an officer of the Company.
- (c) Any documents (including the share certificate and medallion guarantee) required by the Buyer's transfer agent to effect the Share Escrow.
- (d) A statement from the Company meeting the requirements of Treasury Regulations Section 1.1445-1T(d)(2)(i) certifying that transfers of interests in the Company are not subject to withholding under Section 1445 of the Code and the Treasury Regulations thereunder or a certification dated as of the Closing Date sworn under penalty of perjury and in form and substance required under the Treasury Regulations issued pursuant to Section 1445(b)(3) of the Code, stating that the Company is not and has not been a "United States real property holding corporation" (as defined in Section 897(c)(2) of the Code) during the applicable period specified in Section 897(c)(1)(A)(ii) of the Code, as applicable.
- (e) A Form W-8 completed by each of the Sellers.

Section 5.02 Buyer's Deliverables. At the Closing, the Buyer shall deliver the following to the Sellers:

- (a) Any documents required for the Assumption of Debt by the Buyer;
- (b) The Assignment and Assumption, executed by Buyer.

(c) A certificate of the principal executive officer of the Buyer certifying as to: (i) the resolutions of the board of directors of the Buyer, duly adopted and in full force and effect, which authorize the execution, delivery, and performance of this Agreement and the transactions contemplated hereby; and (ii) the names and signatures of the officers of Buyer authorized to sign this Agreement and the documents to be delivered hereunder.

ARTICLE VI TAX MATTERS

Section 6.01 Tax Return and Tax Audit Procedures. The Sellers shall facilitate the making or otherwise cause the Company to make an election under Section 6226 of the Code with respect to any tax proceeding relating to a taxable period ending on or before the Closing Date as to which such an election is available. Sellers shall prepare or cause to be prepared any Internal Revenue Service Form 1065 or Form 1120, as applicable (and any similar form or forms for state and local income tax purposes), that is required to be filed by or with respect to the Company after the Closing Date with respect to any taxable period ending on or before the Closing Date. If the Sellers are not authorized under applicable law to execute and file aforementioned tax return, the Buyer shall execute and file (or cause to be filed) such tax returns, as prepared by the Sellers, with the appropriate taxing authority. The Buyer shall not, and shall not cause or permit the Company to (i) amend any tax returns filed with respect to any taxable period ending on or before the Closing Date or (ii) make any tax election that has retroactive effect to any such year, in each case, without the prior written consent of the Sellers. The Buyer agrees that, as applicable, (x) the Company will join the consolidated income tax return group of which the Buyer is the parent corporation for U.S. federal income tax purposes (and for purposes of any similar applicable state, local or foreign laws) at the end of the Closing Date pursuant to Treasury Regulation Section 1.1502-76(b)(1)(ii)(A) and (y) as a result, the Company will have a short tax year ending on (and including) the Closing Date and will be included in the consolidated group's U.S. federal (and similar applicable state, local or foreign) income tax returns starting the day after the Closing Date.

ARTICLE VII INDEMNIFICATION

Section 7.01 Survival of Representations and Covenants. All representations, warranties, covenants, and agreements contained herein and all related rights to indemnification shall survive the Closing.

Section 7.02 Indemnification by the Sellers. Subject to the other terms and conditions of this ARTICLE VII, the Sellers shall defend, indemnify, and hold harmless the Buyer, its Affiliates, and their respective directors, managers, officers, and employees from and against:

- (a) A Loss arising from or relating to any inaccuracy in or breach of any of the representations or warranties of the Sellers contained in this Agreement or any document delivered in connection herewith; or
- (b) any Loss arising from or relating to any breach or non-fulfillment of any covenant, agreement, or obligation to be performed by the Sellers pursuant to this Agreement or any document delivered in connection herewith.

Section 7.03 Indemnification by the Buyer. Subject to the other terms and conditions of this ARTICLE VII, the Buyer shall defend, indemnify, and hold harmless the Sellers from and against all Losses arising from or relating to:

- (a) any inaccuracy in or breach of any of the representations or warranties of the Buyer contained in this Agreement or any document delivered in connection herewith;

(b) any breach or non-fulfillment of any covenant, agreement, or obligation to be performed by the Buyer pursuant to this Agreement or any document delivered in connection herewith; or

(c) any breach or non-fulfillment of any obligation under Section 2.02, including the Assumption of Debt and Payment of Shareholder Loans provisions.

Section 7.04 Indemnification Procedures. No claim for indemnification may be asserted after the date that is eighteen (18) months after the Closing Date. Whenever any claim shall arise for indemnification hereunder, the party entitled to indemnification (the “**Indemnified Party**”) shall promptly provide written notice of such claim to the other party (the “**Indemnifying Party**”). In connection with any claim giving rise to indemnity hereunder resulting from or arising out of any Action by a Person who is not a party to this Agreement, the Indemnifying Party, at its sole cost and expense and upon written notice to the Indemnified Party, may assume the defense of any such Action with counsel reasonably satisfactory to the Indemnified Party. The Indemnified Party shall be entitled to participate in the defense of any such Action, with its counsel and at its own cost and expense. If the Indemnifying Party does not assume the defense of any such Action, the Indemnified Party may, but shall not be obligated to, defend against such Action in such manner as it may deem appropriate, including, but not limited to, settling such Action, after giving notice of it to the Indemnifying Party, on such terms as the Indemnified Party may deem appropriate and no action taken by the Indemnified Party in accordance with such defense and settlement shall relieve the Indemnifying Party of its indemnification obligations hereunder. The Indemnifying Party shall not settle any Action without the Indemnified Party’s prior written consent, which consent shall not be unreasonably withheld or delayed.

Section 7.05 Payments. Once a Loss is agreed to by the Indemnifying Party or finally adjudicated to be payable pursuant to this ARTICLE VII, the Indemnifying Party shall satisfy its obligations within 15 Business Days of such agreement or final, non-appealable adjudication by wire transfer of immediately available funds. In addition to any rights of setoff or other similar rights that the Buyer may have at common law or otherwise, and notwithstanding anything to the contrary herein, the Buyer shall have the right to withhold and deduct from any payment under Section 2.02(b) that would be otherwise payable hereunder any sum that (i) is owed to the Buyer under this ARTICLE VII, subject to the limitations in this ARTICLE VII or (ii) the Buyer reasonably and in good faith believes may be owed to it or any Buyer Indemnified Party under this ARTICLE VII, subject to the limitations in this ARTICLE VII. The Buyer shall exercise the foregoing right of setoff by delivering a written notice to the Sellers. If the amount of any Losses relating to claims for indemnification made by the Buyer that is setoff against any payment under Section 2.02(b) is finally determined, and no longer subject to appeal, not to be owed to the Buyer pursuant to the terms hereof, such setoff amount shall be promptly funded with 6% interest, and in any event within twenty (20) Business Days, by the Buyer to the Sellers and distributed as set forth in this ARTICLE VII.

Section 7.06 Tax Treatment of Indemnification Payments. All indemnification payments made under this Agreement shall be treated by the parties as an adjustment to the Purchase Price for tax purposes, unless otherwise required by applicable law.

Section 7.07 Effect of Investigation. The Buyer’s right to indemnification or other remedy based on the representations, warranties, covenants, and agreements of the Sellers contained herein will not be affected by any investigation conducted by the Buyer, or any knowledge acquired by the Buyer at any time, with respect to the accuracy or inaccuracy of or compliance with, any such representation, warranty, covenant, or agreement.

Section 7.08 Exclusive Remedies. The rights and remedies provided in this ARTICLE VII are exclusive and in substitution for any other rights and remedies available at law or in equity or otherwise.

ARTICLE VIII MISCELLANEOUS

Section 8.01 Expenses. All costs and expenses incurred in connection with this Agreement and the transactions contemplated hereby shall be paid by the Party incurring such costs and expenses.

Section 8.02 Further Assurances. Following the Closing, each of the parties hereto shall, and shall cause their respective Affiliates to, execute and deliver such additional documents, instruments, conveyances, and assurances and take such further actions as may be reasonably required to carry out the provisions hereof and give effect to the transactions contemplated by this Agreement.

Section 8.03 Notices. All notices, requests, consents, claims, demands, waivers, and other communications hereunder shall be in writing and shall be deemed to have been given: (a) when delivered by hand (with written confirmation of receipt); (b) when received by the addressee if sent by a nationally recognized overnight courier (receipt requested); (c) on the date sent by facsimile or email of a PDF document (with confirmation of transmission) if sent during normal business hours of the recipient, and on the next Business Day if sent after normal business hours of the recipient; or (d) on the third day after the date mailed, by certified or registered mail, return receipt requested, postage prepaid. Such communications must be sent to the respective parties at the following addresses (or at such other address for a Party as shall be specified in a notice given in accordance with this Section 8.03):

If to Sellers:

J. Merlin Benner
PO Box 226
Haines, AK 99827
E-mail: merlinbenner@gmail.com

Phillip J. Benner
14 Garrett Lane
Liberty, PA 16930
E-mail: Philbenner@gmail.com

Jonas M. Benner
2780 Hills Creek Road
Wellsboro, PA 16901
E-mail: jonasbenner226@gmail.com

Benjamin P. Benner
76 Pleasant Drive

Lawrenceville, PA 16929
E-mail: Ben.benner3@gmail.com

Angelica M. Benner
711 Washington Avenue, Apartment 1
Carnegie, PA 15106
E-mail: bennerangelica@gmail.com

with a copy to:
(which shall not
constitute notice)

Ozdinec & Witzel, LLC One Landmark North
20399 Route 19
STE 206
Cranberry Twp., PA 16066
Email: mozdinec@ozwitz.com
Attention: Michael Ozdinec
DarkPulse, Inc.
815 Walker Street
Suite 1155
Houston, TX 77002
Email: doleary@darkpulse.com

If to Buyer:

with a copy to:
(which shall not
constitute notice)

Business Legal Advisors, LLC
14888 Auburn Sky Drive
Draper, UT 84020
Email: brian@businesslegaladvisor.com
Attention: Brian Higley

Section 8.04 Headings. The headings in this Agreement are for reference only and shall not affect the interpretation of this Agreement.

Section 8.05 Severability. If any term or provision of this Agreement is invalid, illegal, or unenforceable in any jurisdiction, such invalidity, illegality, or unenforceability shall not affect any other term or provision of this Agreement or invalidate or render unenforceable such term or provision in any other jurisdiction. Upon a determination that any term or other provision is invalid, illegal, or unenforceable, the parties hereto shall negotiate in good faith to modify the Agreement so as to effect the original intent of the parties as closely as possible in a mutually acceptable manner in order that the transactions contemplated hereby be consummated as originally contemplated to the greatest extent possible.

Section 8.06 Entire Agreement. This Agreement and the documents to be delivered hereunder constitute the sole and entire agreement of the parties to this Agreement with respect to the subject matter contained herein, and supersede all prior and contemporaneous understandings and agreements, both written and oral, with respect to such subject matter. In the event of any inconsistency between the terms and provisions in the body of this Agreement and those in the documents delivered in connection herewith, the Exhibits, and the Disclosure Schedule (other than an exception expressly set forth as such in the Disclosure Schedule), the terms and provisions in the body of this Agreement shall control.

Section 8.07 Successors and Assigns. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and permitted assigns. Neither Party may assign its rights or obligations hereunder without the prior written consent of the other Party, which consent shall not be unreasonably withheld or delayed. No assignment shall relieve the assigning Party of any of its obligations hereunder.

Section 8.08 No Third-Party Beneficiaries. This Agreement is for the sole benefit of the parties hereto and their respective successors and permitted assigns and nothing herein, express or implied, is intended to or shall confer upon any other person or entity any legal or equitable right, benefit, or remedy of any nature whatsoever under or by reason of this Agreement.

Section 8.09 Amendment and Modification. This Agreement may only be amended, modified, or supplemented by an agreement in writing signed by each Party hereto.

Section 8.10 Waiver. No waiver by any Party of any of the provisions hereof shall be effective unless explicitly set forth in writing and signed by the Party so waiving. No waiver by any Party shall operate or be construed as a waiver in respect of any failure, breach, or default not expressly identified by such written waiver, whether of a similar or different character, and whether occurring before or after that waiver. No failure to exercise, or delay in exercising, any right, remedy, power, or privilege arising from this Agreement shall operate or be construed as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power, or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power, or privilege.

Section 8.11 Governing Law. This Agreement and all related documents shall be governed by and construed in accordance with the internal laws of the State of Texas without giving effect to any choice or conflict of law provision or rule (whether of the State of Texas or any other jurisdiction).

Section 8.12 Submission to Jurisdiction. Any legal suit, action, proceeding, or dispute arising out of or related to this Agreement or the transactions contemplated hereby may be instituted in the federal courts of the United States of America or the courts of the State of Texas in each case located in the City of Houston and County of Harris, and each Party irrevocably submits to the exclusive jurisdiction of such courts in any such suit, action, proceeding, or dispute.

Section 8.13 Attorney Fees. In the event of any dispute between the parties concerning the terms and provisions of this Agreement, the Party prevailing in such dispute shall be entitled to collect from the other Party all costs incurred in such dispute, including reasonable attorneys' fees.

Section 8.14 Waiver of Jury Trial. EACH PARTY ACKNOWLEDGES AND AGREES THAT ANY CONTROVERSY WHICH MAY ARISE UNDER THIS AGREEMENT IS LIKELY TO INVOLVE COMPLICATED AND DIFFICULT ISSUES AND, THEREFORE, EACH SUCH PARTY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LEGAL ACTION ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

Section 8.15 Specific Performance. The parties agree that irreparable damage would occur if any provision of this Agreement were not performed in accordance with the terms hereof and that the parties shall be entitled to specific performance of the terms hereof, in addition to any other remedy to which they are entitled at law or in equity. Each Party hereto: (a) agrees that it shall not oppose the granting of such specific performance or relief; and (b) hereby irrevocably waives any requirements for the security or posting of any bond in connection with such relief.

Section 8.16 Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall be deemed to be one and the same agreement. A signed copy of this Agreement delivered by facsimile, email, or other means of electronic transmission shall be deemed to have the same legal effect as delivery of an original signed copy of this Agreement.

[SIGNATURE PAGE FOLLOWS]

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IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the date set forth above.

SELLERS:

By: /s/ J. Merlin Benner
Name: J. Merlin Benner

By: /s/ Phillip J. Benner
Name: Phillip J. Benner

By: /s/ Jonas M. Benner
Name: Jonas M. Benner

By: /s/ Benjamin P. Benner
Name: Benjamin P. Benner

By: /s/ Angelica M. Benner
Name: Angelica M. Benner

BUYER:

DARKPULSE, INC.
a Delaware corporation

By: /s/ Dennis O'Leary
Name: Dennis O'Leary
Title: Chief Executive Officer

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EXHIBIT A

Assignment and Assumption Agreement

This Assignment and Assumption Agreement (the "**AAA Agreement**"), is effective on the Closing Date, as defined by the Membership Interest Purchase Agreement dated August 24, 2022 (the "**Effective Date**"), by, between, and among J. Merlin Benner, Phillip J. Benner, Benjamin P. Benner, Jonas M. Benner, and Angelica M. Benner (collectively referred to as the "**Sellers**") and DarkPulse, Inc., a Delaware corporation (the "**Buyer**" or "**DarkPulse**"). Each of the Buyer and the Sellers shall be referred to herein as a "Party", and, together, as the "Parties."

WHEREAS, Sellers and Buyer have entered into a certain Membership Interest Purchase Agreement, dated as of August 24, 2022 (the "**Purchase Agreement**"), pursuant

to which, among other things, Sellers have agreed to assign all of its rights, title and interests in, and Buyer has agreed to assume all of Sellers’ duties and obligations under, the Assumption of Debt, as shown in Schedule 1, and Payment of Shareholder Loans, as shown in Schedule 1, (as defined in the Purchase Agreement).

NOW, THEREFORE, in consideration of the mutual covenants, terms, and conditions set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

- 1. **Definitions.** All capitalized terms used in the AAA Agreement but not otherwise defined herein are given the meanings set forth in the Purchase Agreement.
- 2. **Assignment and Assumption.** Sellers hereby sell, assign, grant, convey and transfer to Buyer all of Sellers’ right, title and interest in and to the Assumption of Debt and Payment of Shareholder Loans as shown on Schedule 1, which is attached and incorporated into this AAA Agreement. Buyer hereby accepts such assignment and assumes all of Sellers’ duties and obligations under the Assumption of Debt and Payment of Shareholder Loans and agrees to pay, perform and discharge, as and when due, all of the obligations of Sellers under the Assumption of Debt and Payment of Shareholder Loans which are now due or accrue on and after the Effective Date.
- 3. **Terms of the Purchase Agreement.** The terms of the Purchase Agreement, including, but not limited to, the representations, warranties, covenants, agreements and indemnities relating to the Assumption of Debt and Payment of Shareholder Loans are incorporated herein by this reference. The parties hereto acknowledge and agree that the representations, warranties, covenants, agreements and indemnities contained in the Purchase Agreement shall not be superseded hereby but shall remain in full force and effect to the full extent provided therein. In the event of any conflict or inconsistency between the terms of the Purchase Agreement and the terms hereof, the terms of the Purchase Agreement shall govern.
- 4. **Governing Law.** This agreement shall be governed by and construed in accordance with the internal laws of the State of Texas without giving effect to any choice or conflict of law provision or rule.
- 5. **Counterparts.** This agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall be deemed to be one and the same. A signed copy of this AAA Agreement delivered by facsimile, email or other means of electronic transmission shall be deemed to have the same legal effect as delivery of an original signed copy of this AAA Agreement.
- 6. **Further Assurances.** Each of the parties hereto shall execute and deliver, at the reasonable request of the other party hereto, such additional documents, instruments, conveyances and assurances and take such further actions as such other party may reasonably request to carry out the provisions hereof and give effect to the transactions contemplated by this AAA Agreement.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties have executed this Assignment and Assumption Agreement to be effective as of the date first above written.

SELLERS:

By _____
Name: J. Merlin Benner

By _____
Name: Phillip J. Benner

By _____
Name: Jonas M. Benner

By _____
Name: Benjamin P. Benner

By _____
Name: Angelica M. Benner

BUYER:

DARKPULSE, INC.
A Delaware Corporation

By _____
Name: Dennis O’Leary
Title: Chief Executive Officer

as of 7/20/2022		Wildlife Specialists							
Loan	Purpose	Starting Balance	Remaining Balance	Status	# Payments Remaining	Payment Amount	Monthly Payment Date	Origin Date	Maturity Date
NW loan #2356	Demand Loan - taken out to support through COVID	150,000.00	157,500.00	delinquent	1	155,543.75		4/20/2021	4/20/2022
NW loan #4220	Mortgage - leveraged Merlin's property in Wellsboro to support operations during COVID	100,000.00	95,149.08	current	168	755.47	7th	7/7/2021	7/7/2036
SBA EIDL	emergency funding to support staff through COVID	26,700.00	26,300.00	current				4/21/2020	
Line of Credit #0764	Operational Line of Credit to purchase equipment and ramp up staffing for projects	200,000.00	200,000.00	current	indefinite - paying interest only	about 1450.00 on full line	28th	8/28/2020	on demand
NW Credit Card #2	active credit card for operating expenses - paying min/mth	40,000.00	17,306.11	current	indefinite - paying minimum/mth	1000 (going down from no	9th	Sept 2020	
NW Credit Card #3	Active Credit Card for Ongoing Company Use - hotels, field supplies, etc.	40,000.00	30,150.26	current	indefinite	changes	9th	Sept 2020?	
Personal Loan	Phil Benner - Owner investment to support operations	10,500.00	10,500.00	current				1/12/2022	
Personal Loan	Phil Benner - Owner investment to support operations	55,000.00	55,000.00	current				1/26/2022	
Personal Loan	Phil Benner - Owner investment to support operations	50,000.00	50,000.00	current				2/4/2022	
Personal Loan	Phil Benner - Owner investment to support operations	20,000.00	20,000.00	current				2/14/2022	
DarkPulse Loans	payroll/Operations	35,000.00	35,000.00					12/31/2021	
DarkPulse Loans	payroll/Operations	52,000.00	52,000.00					3/9/22	
DarkPulse Loans	payroll/Operations	20,000.00	20,000.00					4/6/2022	
DarkPulse Loans	payroll/Operations	55,000.00	55,000.00					4/14/2022	
DarkPulse Loans	payroll/Operations	34,597.96	34,597.96					4/27/2022	
DarkPulse Loans	payroll/Operations	71,026.58	71,026.58					5/5/2022	
DarkPulse Loans	payroll/Operations	43,726.92	43,726.92					5/18/2022	
DarkPulse Loans	payroll/Operations	47,134.29	47,134.29					5/31/2022	
DarkPulse Loans	payroll/Operations	53,500.00	53,500.00					6/15/2022	
DarkPulse Loans	payroll/Operations	40,000.00	40,000.00					6/30/2022	
DarkPulse Loans	came to RI for WS	5,958.63	5,958.63					7/6/2022	
DarkPulse Loans	payroll/Operations	26,636.28	26,636.28					7/14/2022	
DarkPulse Loans	employee sharing - this is not a loan, but a credit - it is the repayment for Angelica	(50,139.83)	(50,139.83)					7/18/2022	
			434,440.83						

CERTIFICATIONS

I, Dennis O'Leary, certify that:

1. I have reviewed this Form 10-Q quarterly report of DarkPulse, Inc. for the quarter ended September 30, 2022;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under my supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to me by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under my supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. I have disclosed, based on my most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 4, 2022

/s/ Dennis O'Leary

Dennis O'Leary, Chief Executive Officer
(Principal Executive & Financial Officer)

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

In connection with the quarterly report of DarkPulse, Inc. (the “Company”) on Form 10-Q for the quarter ended September 30, 2022, as filed with the Securities and Exchange Commission (the “Report”), the undersigned principal executive and principal financial officer of the Company, hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

Date: November 4, 2022

/s/ Dennis O’Leary

Dennis O’Leary, Chief Executive Officer
(Principal Executive & Financial Officer)