QUARTERLY REPORT

For the nine month period ended September 30, 2016

SIGNAL ADVANCE, INC.

Texas	**8731**	**76-0373052**
(State or Other Jurisdiction of Incorporation or Organization)	(Primary Standard Industrial Classification Number)	(IRS Employer Identification Number)

2520 County Road 81
Rosharon, Texas 77583
(713) 510-7445
(Address and telephone number of principal executive offices)

As of September 30, 2016, the Company had 11,907,342 shares of common stock, no par value, issued and outstanding.

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PART I

ITEM 1. Financial Statements and Supplementary Data

SIGNAL ADVANCE, INC.

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

Nine Months Ended September 30, 2016

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Signal Advance, Inc.
Balance Sheets
As of September 30, 2016 and December 31, 2015
(Unaudited)

		September 30, 2016		December 31, 2015
ASSETS				
Current Assets				
Cash or Cash Equivalent	$	7,580	$	6,258
Total Current Assets		7,580		6,258
Property and Equipment, net		2,899		3,953
Total Property and Equipment, net		2,899		3,953
TOTAL ASSETS	**$**	**10,479**	**$**	**10,211**
LIABILITIES & SHAREHOLDERS' EQUITY (DEFICIT)				
Liabilities				
Line of Credit - Shareholder		18,704		4,704
Total Liabilities	$	18,704	$	4,704
Shareholders' Equity (Deficit)				
Common Stock - $0 par value				
100,000,000 shares authorized				
- shares issued and outstanding				
10,655,077, as of December 30, 2015				
11,907,342, as of September 30, 2016				
Additional Paid-In Capital		5,543,811		5,381,085
Accumulated Deficit		(5,552,036)		(5,375,578)
Total Shareholders' Equity (Deficit)		(8,225)		5,507
TOTAL LIABILITIES & EQUITY	**$**	**10,479**	**$**	**10,211**

See Accompanying Notes to the Financial Statements

Signal Advance, Inc.
Statements of Operations
Three and Nine Months Ended September 30, 2016 and 2015
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	**2015**	**2016**	**2015**
Revenue	$ 0	$ 0	$ 0	$ 0
Cost of revenue	0	0	0	0
Gross Profit	0	0	0	0
Ordinary Income/Expense				
Expense				
General and Administrative	$ 6,195	$ 8,669	$ 19,083	$ 25,997
Depreciation	351	392	1,054	1,177
Intellectual Property	2,642	3,500	2,642	7,190
Professional Services	12,500	16,243	71,035	135,105
R&D Expenses	46,643	12,000	82,643	36,250
Total Expense	68,331	40,805	176,458	205,720
Net Ordinary Income (Loss)	(68,331)	(40,805)	(176,458)	(205,720)
Other Income (Expense)				
Impairment Expense	0	0	0	21,438
Net Other Income (Expense)	0	0	0	(21,438)
Net Income (Expense)	$ **(68,331)**	$ **(40,805)**	$ **(176,458)**	$ **(227,158)**
Loss per share - basic and diluted	(0.01)	(0.004)	(0.02)	(0.02)
Weighted average shares outstanding - basic and diluted	11,288,062	10,372,431	11,325,729	11,288.062

See Accompanying Notes to the Financial Statements

Signal Advance, Inc.
Statements of Cash Flow
Nine Months Ended September 30, 2016 and 2015
(Unaudited)

		2016		2015
OPERATING ACTIVITIES				
Net Income	$	(176,458)	$	(227,158)
Adjustments to reconcile Net Income				
to net cash provided by operations:				
Depreciation		1,054		1,177
Stock Compensation		141,900		122,500
Impairment Expense		0		21,438
Net cash provided by Operating Activities		(33,503)		(82,042)
INVESTING ACTIVITIES				
Purchase of property and equipment		0		(719)
Net cash provided by Investing Activities		0		(719)
FINANCING ACTIVITIES				
Proceeds from Sale of Common Stock		20,827		0
Line of Credit - Shareholder, net		13,999		47,244
Net cash provided by Financing Activities		34,826		47,244
Net cash increase for period		1,322		(35,518)
Cash at beginning of period		6,258		37,177
Cash at end of period	$	**7,580**	$	**1,659**
Supplemental Disclosure				
Interest paid		2,897		2,790
Non-Cash Transactions				
Repayment of line of credit - shareholder in common stock		71,500		50,000
Stock Compensation		70,400		72,500

See Accompanying Notes to the Financial Statements

Signal Advance, Inc.
Notes to Financial Statements
September 30, 2016
(Unaudited)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION: The accompanying unaudited financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the nine month period ended September 30, 2016, are not necessarily indicative of the results that may be expected for the year ended December 31, 2016.

The Company's Annual Report for the year ended December 31, 2015 should be read in conjunction with this report.

RECLASSIFICATIONS: For comparability, certain prior period amounts have been reclassified, where appropriate, to conform to the financial statement presentation used in 2016.

NATURE OF OPERATIONS AND ORGANIZATION: Signal Advance, Inc. (the Company) was incorporated in Texas on June 4, 1992, is an engineering product and procedure development and consulting firm focused on the development of applications for emerging technologies. The Company has significant experience in computer technology, distributed information systems, and data acquisition and analysis systems, as well as, medical education, intellectual property protection and medical-legal litigation support. The Company has focused its resources on the improvement of signal detection and processing systems through the development and refinement of its proprietary "Signal Advance" technology which has potential application in a wide range of medical applications, as well as applications outside of biomedicine.

CASH AND CASH EQUIVALENTS: The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

INTANGIBLE ASSETS OR LONG LIVED ASSETS: The Company anticipates amortizing intangible assets over their estimated useful lives unless such lives are deemed indefinite. Amortized intangible assets are tested for impairment based on undiscounted cash flows, and, if impaired, written down to fair value based on either discounted cash flows or appraised values. Intangible assets with indefinite lives are tested annually for impairment and written down to fair value as required. No impairment of intangible assets has been identified during any of the periods presented.

USE OF ESTIMATES IN FINANCIAL STATEMENT PREPARATION: The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. The Company's financial statements include amounts and all adjustments that, in the opinion of management and based on management's best estimates and judgments, are necessary to make the financial statement not misleading. Actual results could differ from those estimates.

AVAILABLE FOR SALE SECURITIES: The Company held certain investments that are treated as available-for-sale securities (FASB ASC 320-10-25) and stated at their fair market values. All investments are available for current operations and are classified as other assets in the balance sheet. Unrealized holding gains and losses are included as a component of other comprehensive income (loss) until realized (FASB ASC 320-35-1). Realized gains and losses are included in 'Other Income (Loss)' in the income statement.

INVESTMENTS IN A LIMITED LIABILITY COMPANY: The Company held a minor investment (3%) in a Limited Liability Company (LLC). The equity method of accounting for investments in general partnerships is generally appropriate for accounting by limited partners for their investments in limited partnerships. The Company’s interest was so minor as a limited partner that the Company has virtually no influence over the operating and financial policies of the LLC. As such, accounting for the investment using the cost method is appropriate. Under the cost method, income recognized by the investor is limited to distributions received, except that distributions that exceed the investor's share of earnings after the date of the investment are applied to reduce the carrying value of the investment. Adjustments are made for impairment annually based on an impairment analysis per ASC 350-20-65-1 where the Company compares whether the fair value of the investment is less than its carrying amount which would result in impairment. The Company has recognized impairment as the LLC has ceased operations. As such, an adjustment for impairment was made during the three month period ended March 31, 2015 for the entire carrying value $21,438.

RESEARCH AND DEVELOPMENT: Research and development costs are expensed as incurred until technological feasibility can be determined (FASB ASC 730-10-25). Upfront and milestone payments made to third parties in connection with research and development collaborations are expensed as incurred up to the point of regulatory approval, marketability, licensing, lease, or sale when the net present value and useful life is able to be determined. Payments made to third parties subsequent to the aforementioned events will be capitalized. Amounts capitalized for such payments will be included in other intangibles, less the net of the accumulated amortization, once their useful lives can be determined.

REVENUE RECOGNITION: The Company revenues are generated by: 1) Providing consulting services; 2) Licensing intellectual property; and 3) Providing consulting services to licensees to facilitate implementation.

Revenue is not recognized until it is realized or realizable and earned (FASB Concepts Statement No. 5, Recognition and Measurement in Financial Statements of Business Enterprises, paragraphs 83-84). In accordance with ASC 605, 'Revenue Recognition,' the company recognizes as revenue the fees charged clients as referenced below because 1) persuasive evidence of an arrangement exists, 2) the fees charged as royalties and/or for services are substantially fixed or determinable during the period in which services are provided or royalties are collected, 3) the company and its clients understand the specific nature and terms of the agreed upon transactions, and 4) collectability is reasonable assured after services have been rendered, or according to a royalty payment schedule.

Consulting Revenue - For revenues generated by providing engineering, scientific and medical/legal consulting services. Services are charged at an hourly rate and clients are charged and revenue is recognized monthly.

License Revenue - As part of the Company's business model and as a result of the company's on-going investment in research and development, the company plans to license and sell the rights to certain of its intellectual property (IP) including internally developed patents, trade secrets and technological know-how. The typical license will call for a non-refundable initiation fee, escalating minimum royalties to be paid before a given product is marketed, and continuing royalties based on gross sales once marketing has begun, confirmed by annual audits. The license will also include a set amount of time for consulting. Licensees will also be required to participate in patent maintenance and defense.

Certain transfers of IP to third parties may be licensing/royalty-based, transaction-based, or other forms of transfer. Licensing/royalty-based fees involve transfers in which the company earns the income over time, as a lump-sum payment or the amount of income is not fixed or determinable until the licensee sells future related products (i.e., variable royalty, based upon licensee's revenue). Accordingly, following delivery and or legal conveyance of rights to the aforementioned IP to the client, and following inception of the license term, revenue is recognized in a manner consistent with the nature of the transaction and the earnings process.

Combined License/Consulting Revenue - in certain circumstances the license agreement will also include consulting services to facilitate the use of the Company's IP, in which case the arrangement may include multiple deliverables. If the client is dependent on the consulting services of the Company to bring value to the license then the license and consulting services will be considered a single unit of accounting. If, however, the license has value to the client, independent of the consulting services provided by the Company, then each deliverable has value on a standalone basis. As such each delivered item or items shall be considered a separate unit of accounting (FASB ASC 605-25).

Alternatively, license terms may contain a citation of milestones of achievement by the licensee. Each milestone may be tied to an increase in the minimum royalty. For example, biomedical milestones may include completion of animal trials, submission and then approval of 510K applications or pre-market approval by the FDA. Each licensee pursuing a biomedical application will be expected to develop its own clinical data to secure such pre-market notification (510K) or approval. Under these circumstances, the deliverable, or unit of accounting, consideration may be contingent on the substantive achievement of one or more milestones. As such, revenue is recognized in its entirety in the period in which the milestone is achieved (FASB ASC 605-28).

During the six month periods ended September 30, 2016 and 2015, the Company recognized no revenue.

PROPERTY AND EQUIPMENT: Fixed Assets (land, buildings and equipment) are carried at cost less accumulated depreciation. Depreciation is based on the estimated service lives of depreciable assets and is provided using the straight line method. In the case of disposals, assets and related depreciation are removed from the accounts, and the net amounts, less proceeds from disposal, are included in income.

INCOME TAXES: The Company takes an asset and liability approach to financial accounting and reporting for income taxes. The difference between the financial statement and tax basis of assets and liabilities is determined annually. Deferred income tax assets and liabilities are computed for those differences that have future tax consequences using the currently enacted tax laws and rates that apply to the periods in which they are expected to affect taxable income. Valuation allowances are established, if necessary, to reduce the deferred tax asset to the amount that will assure full realization (FASB ASC 740). As of September 30, 2016, the Company recorded a valuation allowance that reduced its deferred tax assets to zero.

CONCENTRATIONS OF CREDIT RISK: Financial instruments which potentially subject the Company to significant concentrations of credit risk consist primarily of investment securities. Investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities can occur in the near term and that each change could materially affect the amounts reported in the financial statement.

GOING CONCERN: The Company is currently conducting operations. However, it has not yet generated sufficient operating revenue to fund its development activities to date. As such, the Company has relied on funding by the Company's President and the sale of its common stock. There is a substantial doubt that the Company will generate sufficient revenues in future years to meet its operating cash requirements. Accordingly, the Company's ability to continue operations in the short-term depends on its success in obtaining equity or debt financing in an amount sufficient to support its operations. This could raise doubt as to its ability to continue as a going concern. The financial statements do not include any adjustments that might result from this uncertainty.

NOTE B - INTELLECTUAL PROPERTY

Intellectual property protection is being pursued for the specifically identifiable intellectual property (IP) termed Signal Advance technology. The following table lists the patent applications and issued patents and their respective status:

Patent Office	**Patent or Appl. No.**	**Status**
United States	8452544	Issued May 2013
China	ZL 200880015288.2	Issued November 2012
Europe	EP 08 75 4879.8	Under examination
Mexico	325278	Issued April 2014
India	3465/KOLNP/2009	Not yet examined

Additional patent submissions related to specific applications, SA circuit configurations, and signal processing techniques are prepared as deemed cost effective.

The IP derives from an assignment of the IP in the form of a patent application filed with the USPTO as well as any patents which issue as a result of U.S. and related international patent applications.

As ASSIGNEE, the Company is responsible for:
1) funding and executing activities required for any regulatory approval, development, implementation and commercialization;
2) introducing assigned products which incorporate the patent pending or patented technology to the commercial market;
3) make its best efforts to a) develop and market assigned products and services, and b) increase and extend the commercialization of assigned products, and
4) commence the advertising and marketing assigned products not later than 24 months following the granting of the patent

The assignment was privately negotiated between the Company's President, Dr. Hymel (Assignor) and the remaining members of the board of directors for the Company (Assignee). Consideration to acquire the IP rights, in the form of equity (specifically 1,525,000 shares of SAI common stock, to date) was expensed as the assignment is considered a transaction between entities under common control (FASB ASC 805-50-30-5,6). The value of the common stock issued in exchange for the equity was based on the most recent private sales of stock (FASB ASC 505-50-30-6). In addition, royalties are payable to Assignor on net sales and/or license fees as follows: a) <$10M: 6%; b) $10-$25M: 8%, and c)>$25M: 10%. Assignor's remedy for non-payment is the termination of the assignment.

The costs incurred in acquiring intellectual property assignments as well as the pursuit of domestic and international patent and trademark protection are expensed (included as "Intellectual Property" under expenses on the Statements of Operations. These costs include expenses to prepare and prosecute patent applications and protect the IP, include filing and issuance fees, fees for consultants, experts, advisors, patent attorneys, including foreign associates, patent applications, claims and other amendments, responses to office actions, etc. Any patent infringement case may hinder the Company's ability to generate revenues.

NOTE C - AVAILABLE FOR SALE SECURITIES

The Company currently holds no Available for Sale Securities

NOTE D - PROPERTY AND EQUIPMENT

Property and equipment as of September 30, 2016 and December 31, 2015 are summarized as follows:

	September 30, 2016	December 31, 2015
Cost / Basis	$ 129,268	$ 129,268
Accumulated depreciation	(126,369)	(125,314)
Total property and equipment, net	$ 2,899	$ 3,953

Depreciation expense during the nine months ended September 30, 2016 and 2015 were $1,054 and $1,177, respectively.

Note E – LINE OF CREDIT - SHAREHOLDER

The President has loaned funds to the Company under the terms of a Line of Credit Promissory Note negotiated with, and approved by, the Board of Directors. The line of credit is due on demand, unsecured, and bears interest at 2.5% per quarter. As of September 30, 2016, the remaining balance payable was $18,704 including accrued interest of $2,897.

NOTE G - FACILITIES LEASE

The Company currently leases office space, from its president, on a month to month basis at a rate of $700 per month. Rental expense amounted to $6,300 for the six months ended September 30, 2016 and 2015.

NOTE H – EQUITY

During the nine months ended September 30, 2016, the Company made the following Common Stock issuances:

1) 329,000 shares of common stock valued at $70,400 to consultants in exchange for services.
2) 65,000 shares of common stock valued at $65,000 to Officers and members of the Board of Directors in exchange for services.
3) 650,000 shares of common stock valued at $65,000 to partially repay the line of credit-shareholder balance.
4) 26,265 shares of common stock valued at $2,626.50 to a short-term loan from a shareholder.
5) 182,000 shares of Common stock were sold for $18,200 cash.

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

FORWARD-LOOKING STATEMENTS

The following discussion should be read in conjunction with our financial statements, including the notes thereto, appearing elsewhere in this quarterly report. This report may contain forward-looking statements which relate to future events or our future financial performance. These statements often can be identified by the use of terms such as "may," "will," "expect," "believe," "anticipate," "estimate," "plan," "approximate" or "continue," or the negative thereof. We intend that such forward-looking statements be subject to the safe harbors for such statements. We wish to caution readers not to place undue reliance on any such forward-looking statements, which speak only as of the date made. Any forward-looking statements represent management's best judgment as to what may occur in the future. However, forward-looking statements are subject to risks, uncertainties and important factors beyond our control that could cause actual results and events to differ materially from historical results of operations and events and those presently anticipated or projected. We disclaim any obligation subsequently to revise any forward-looking statements to reflect events or circumstances after the date of such statement or to reflect the occurrence of anticipated or unanticipated events. Unless the context requires otherwise, the terms 'Company,' 'SAI,' 'SA,' 'we,' 'our,' and 'us' refer to Signal Advance Inc., a Texas corporation formed on June 4, 1992. Our unaudited financial statements are stated in United States Dollars and are prepared in accordance with U.S. Generally Accepted Accounting Principles.

RESULTS OF OPERATIONS

We have incurred recurring losses to date. Our financial statements have been prepared assuming that we will continue as a going concern and, accordingly, do not include adjustments relating to the recoverability and realization of assets and classification of liabilities that might be necessary should we be unable to continue in operation.

Our auditors have previously issued “going concern” opinions as the Company has generated insufficient revenues to fund planned research and development, marketing and intellectual protection in the near-term. SAI will continue to rely on capital investment to cover the projected costs to execute the Company's business plan and commercialize its proprietary signal advance technology. We expect we will require additional capital to meet our long term operating requirements. We anticipate raising additional capital through, among other things, the sale of equity or debt securities. There is no assurance that the Company will be able to raise the required capital which would result in operations being scaled back accordingly.

The majority of the Company's resources are devoted to technology development and protection of its proprietary technology as well as raising the required capital to execute our business plan. During the year ended December 31, 2015 and the nine month period ended September 30, 2016, the majority of our resources were allocated to commercial our proprietary technology and raise the capital required. The Company is also pursuing consulting work which is either directly related to SA technology development or may lead to a potential future collaboration.

The Company has begun development of a Neural Training system, a part of the growing Digital Brain Health market. Neural training, shown to improve brain function, relies to the detection and analysis of bioelectric signal from the brain (EEG's) to assess and adjust the individualized training protocols. The Company plans to implement its proprietary Signal Advance technology to offset the delays associated with the detection and analyses of EEG's in order to improve training efficiency and efficacy. The Company has established relationships with technologists experienced in developing the required electronics and are negotiating a joint venture agreement between the parties experienced in the field.

INCOME: In the nine month periods ended September 30, 2016 and 2015, the Company recognized no revenue.

EXPENSES: Expenses are classified into the following broad categories: 1) Depreciation, 2) Impairment, 3) Intellectual Property, 4) Professional Services, 5) Research and Development and 6) General and Administrative. SAI has engaged consultants to accomplish its goals over the last two years. Given sufficient capital, the majority of these consultants have expressed interest in working for us full-time. Professional Services includes expenses for accounting, legal, transfer agent and director's fees.

Expenses for the nine month periods ended September 30, 2016 and 2015 were as follows:

		September 30, 2016		September 30, 2015
General & Administrative	$	19,083	$	25,997
Intellectual Property		2,642		7,190
Professional Services		71,035		135,105
Research & Development		82,643		36,250
Impairment expense		0		21,438
Depreciation		1,054		1,177
Total Expense	**$**	**176,458**	**$**	**205,720**

The decrease in expenses during the nine month period ended September 30, 2016 for Professional Services reflects expenses related to 1) the voluntary suspension of SEC reporting obligations related to fulfillment of independent audit and reporting requirements of the Securities and Exchange Commission and 2) the discontinuation of the use of outside consultants seeking capital funds. In both cases, the resources required exceeded the benefit derived by the Company. On-going Professional Services expenses derive from activity focused on commercial validation of our proprietary technology and business development. The change in Research and Development expense reflects increased scientific and technical efforts as well as investigation into specific applications for our proprietary technology. Increase in the expenses related to intellectual property protection is a result of continued pursuit of patent protection in Europe, including responding to an office action from the European Patent Office. Impairment expense in 2015 related to impairment of investment in an LLC.

LIQUIDITY AND CAPITAL ASSETS

CURRENT ASSETS: As of September 30, 2016 and December 31, 2015, the Company had cash and cash equivalents of $7,580 and $6,258, respectively. These assets are used as working capital to execute the Company's business plan. The Company requires additional capital through debt or equity financing to fund operations.

PROPERTY AND EQUIPMENT: Property and Equipment, net as of September 30, 2016 and December 31, 2015 were $2,899 and $3,953, respectively.

OTHER ASSETS: During the three month period ended March 31, 2015, it was determined that a long-term investment in an LLC was impaired for the entire carrying value. The change in fair value for the long-term investment resulted in an impairment loss of $21,438.

LIABILITIES: Liabilities include a line of credit from its President that totaled $4,704 on December 31, 2015 and $18,704 on September 30, 2016, including accrued interest.

SHAREHOLDERS' DEFICIT: Accumulated deficit totaled $5,552,036 and $5,375,578 on September 30, 2016 and December 31, 2015, respectively. The shares issued and outstanding as of September 30, 2016 and December 31, 2015 were 11907,342 and 10,655,077, respectively.

OFF-BALANCE SHEET TRANSACTIONS: There are no off-balance sheet items, all transactions are in U.S. dollars, and SAI is not currently subject to currency fluctuations or similar market risks.

SIGNIFICANT ACCOUNTING POLICIES

CASH AND CASH EQUIVALENTS: The Company considers highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

AVAILABLE FOR SALE SECURITIES: The Company held certain investments that are treated as available-for-sale securities and stated at their fair market values. All investments are available for current operations and are classified as other assets in the balance sheet. Realized gains and losses are determined by the specific identification method and are included in 'Other Income (Loss)' in the income statement. There are currently no such available for sale securities.

INVESTMENTS IN A LIMITED LIABILITY COMPANY: The Company held a minor (3%) investment in a Limited Liability Company (LLC). The equity method of accounting for investments in general partnerships is generally appropriate for accounting by limited partners for their investments in limited partnerships. The Company’s interest was so minor as a limited partner that the Company has virtually no influence over the operating and financial policies of the LLC. As such, accounting for the investment using the cost method is appropriate. Under the cost method, income recognized by the investor is limited to distributions received, except that distributions that exceed the investor's share of earnings after the date of the investment are applied to reduce the carrying value of the investment. The long-term investment was impaired for the full carrying value of $21,438 during the three month period ended March 31, 2015 as the LLC has ceased operations.

RESEARCH AND DEVELOPMENT: Research and development expenses are expensed as incurred until technological feasibility can be determined. Upfront and milestone payments made to third parties in connection with research and development collaborations are expensed as incurred up to the point of regulatory approval, marketability, licensing, lease, or sale when the net present value and useful life is able to be determined. Costs associated with intellectual property protection have been expensed until such time as the useful can be determined, at which time, amounts capitalized will be included in intangible property, less the net of accumulated amortization.

REVENUE RECOGNITION: Revenue is not be recognized until it is realized or realizable and earned. An extended discussion regarding the sources of revenue expected as well as how revenue from these sources will be recognized can be found under 'Revenue Recognition' in the Financial Statements.

PROPERTY AND EQUIPMENT: Property and equipment are carried at cost less accumulated depreciation. Depreciation is based on the estimated service lives of depreciable assets and is provided using the straight line method. In the case of disposals, assets and related depreciation are removed from the accounts, and the net amounts, less proceeds from disposal, are included in income.

INCOME TAXES: The Company takes an asset and liability approach to financial accounting and reporting for income taxes. Difference between the financial statement and tax basis of assets and liabilities is determined annually. Deferred income tax assets and liabilities are computed for those differences that have future tax consequences using the currently enacted tax laws and rates that apply to the periods in which they are expected to affect taxable income. Valuation allowances are established, if necessary, to reduce the deferred tax asset to the amount that will assure full realization. As of September 30, 2016, the Company recorded a valuation allowance that reduced its deferred tax assets to zero.

CONCENTRATIONS OF CREDIT RISK: Financial instruments which may subject the Company to significant concentrations of credit risk consist primarily of investment securities. Investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities can occur in the near term and that such change could materially affect the amounts reported in the financial statements.

INTANGIBLE ASSETS OR LONG-LIVED ASSETS: The Company amortizes intangible assets over their estimated useful lives unless such lives are deemed indefinite. Amortized intangible assets are tested for impairment based on undiscounted cash flows, and, if impaired, written down to fair value based on either discounted cash flows or appraised values. Intangible assets with indefinite lives are tested annually for impairment and written down to fair value as required.

DEFERRED TAX ASSET: A valuation allowance was recognized for the full amount of the deferred tax asset because, based on the weight of available evidence, it is more likely than not that some portion or the entire deferred tax asset will not be realized.

NET LOSS PER SHARE: Basic loss per share is computed by dividing net income available to common shareholders by the weighted average number of common shares outstanding for the period.

PLAN OF OPERATION AND FUNDING

We anticipate that required working capital will continue to be funded through further issuances of securities. Working capital requirements will likely to increase in line with the business growth. Existing working capital, further advances, debt instruments, and firm commitments are expected to be adequate to fund our operations over the next month. We have no lines of credit or other bank financing arrangements. Generally, we have financed operations to date through the proceeds of the private placement of equity and debt instruments. In connection with our business plan, management anticipates additional increases in operating expenses and capital expenditures relating to: i) technology development, ii) marketing and commercialization, and iii) intellectual property protection. We intend to finance these expenses with further issuances of securities, and debt issuances and anticipate the need to raise additional capital and generate revenues to meet long-term operating requirements.

Additional issuances of equity or convertible debt securities will result in dilution to our current shareholders. Also, such securities may have rights, preferences or privileges senior to our common stock. Additional financing may not be available upon acceptable terms, or at all. If adequate funds are not available or are not available on acceptable terms, we may not be able to take advantage of prospective new business endeavors or opportunities, which could significantly and materially restrict our business operations.

MATERIAL COMMITMENTS: The Company currently leases office space, from its president, on a month to month basis at a rate of $700 per month.

PURCHASE OF SIGNIFICANT EQUIPMENT: We do not intend to purchase any significant equipment during the next six months.

ITEM 3. Quantitative and Qualitative Disclosures about Market Risk

Not applicable to smaller reporting companies.

ITEM 4. Controls and Procedures

MANAGEMENT'S REPORT ON DISCLOSURE CONTROLS AND PROCEDURES:

Management of the Company is responsible for establishing and maintaining disclosure controls and procedures designed to ensure that information required to be disclosed in our reports filed under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, to allow for timely decisions regarding required disclosure.

As of the end of our quarter covered by this report, management evaluated, with the participation of the Company's President, who serves as both our principal executive officer and principal financial officer, the effectiveness of the design and operation of our disclosure controls and procedures. Management concluded that our disclosure controls and procedures are not effective as of the end of the period covered by this report due to the material weaknesses described in Management's Report on Internal Control over Financial Reporting included in our annual report on Form 10-K for the year ended December 31, 2015.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

During the period covered by this report there were no changes in our internal control over financial reporting that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II

ITEM 1. Legal Proceedings

We know of no legal proceedings to which we are a party or to which any of our property is the subject which are pending, threatened or contemplated or any unsatisfied judgments against us.

ITEM 1A. Risk Factors

Not applicable to smaller reporting companies.

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

During the nine months ended September 30, 2016, the Company made the following Common Stock issuances:

1) 329,000 shares of common stock valued at $70,400 to consultants in exchange for services.
2) 65,000 shares of common stock valued at $65,000 to Officers and members of the Board of Directors in exchange for services.
3) 650,000 shares of common stock valued at $65,000 to partially repay the line of credit-shareholder balance.
4) 26,265 shares of common stock valued at $2,626.50 to a short-term loan from a shareholder.
5) 182,000 shares of Common stock were sold for $18,200 cash.

These issuances of unregistered were exempt pursuant to Section 4(2) of the Securities Act as these were privately negotiated transactions in which there was no advertising and no commissions paid. Accordingly, the stock certificates representing these shares were issued with restrictive legends indicating that the shares have not been registered and may not be traded until registered or otherwise exempt from registration.

ITEM 3. Defaults Upon Senior Securities

Not Applicable

ITEM 4. Mine Safety Disclosures

Not Applicable

ITEM 5. Other Information

Not Applicable

SIGNATURE

Dated: October 28, 2016

SIGNAL ADVANCE, INC.

By: */s/ Chris M. Hymel*
Chris M. Hymel, President/Treasurer

SIGNATURE	TITLE	DATE
/s/ Chris M. Hymel Chris M. Hymel	Chairman: Board of Directors, President/Treasurer (Principal Executive, Financial and Accounting Officer)	October 28, 2016
/s/ Malcolm H. Skolnick Malcolm H. Skolnick	Member: Board of Directors, Secretary	October 28, 2016
/s/ Richard C. Seltzer Richard C. Seltzer	Member of the Board of Directors	October 28, 2016