

Disclosure Statement Pursuant to the Pink Basic Disclosure Guidelines

Signal Advance, Inc.

A Texas Corporation

2520 County Road 81

Rosharon, Texas 77583

Phone: 713 510 7445

Website: signaladvance.com

Email: info@signaladvance.com

SIC Codes: 8731, 8711

Annual Report for the Years Ended December 31, 2019 and 2018 (the "Reporting Period")

As of December 31, 2019, the number of shares outstanding of our Common Stock was 91,716,057

As of December 31, 2018, the number of shares outstanding of our Common Stock was 16,435,342

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

Yes: ☐

No: ☒

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

Yes: ☐

No: ☒

Indicate by check mark whether a Change in Control of the company has occurred over this reporting period:

Yes: ☒

No: ☐

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

In answering this item, please also provide any names used by predecessor entities in the past five years and the dates of the name changes.

Company Name: Signal Advance, Inc.

Predecessors: Biodyne Development, Inc., Biodyne, Inc.

Date and state (or jurisdiction) of incorporation (also describe any changes to incorporation since inception, if applicable)
Please also include the issuer's current standing in its state of incorporation (e.g. active, default, inactive):

Incorporated in the State of Texas on June 4, 1992

Standing: Active, Current

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

Yes: ☐

No: ☒

Address of Issuer's Principal Offices

Company Headquarters: 2520 County Road 81, Rosharon, TX 77583

Phone: 713 510 7445

Email: info@signaladvance.com

Website: signaladvance.com

Investor Relations: N/A

2) Security Information

Trading symbol:	SIGL	
Title and class of securities outstanding:	Common Stock	
CUSIP:	83662L 20 9	
Par or stated value:	No Par	
Total shares authorized:	200,000,000	as of December 31, 2019
Total shares outstanding:	91,716,057	as of December 31, 2019
Number of Shares in the Public Float:	4,283,992	as of December 31, 2019
Total number of shareholders of record:	197	as of December 31, 2019

Transfer Agent

Name: Nevada Agency and Transfer Company
Address: 50 West Liberty, Suite 880, Reno, Nevada 89501
Phone: 773 322 0626
Email: info@natco.org

Is the Transfer Agent registered under the Exchange Act? Yes: ☒ No: ☐

Describe any trading suspension orders issued by the SEC concerning the issuer or its predecessors: N/A

List any stock split, stock dividend, recapitalization, merger, acquisition, spin-off, or reorganization either currently anticipated or that occurred within the past 12 months:

There has been no stock split, stock dividend, recapitalization, merger, acquisition, or spin-off that occurred within the past 12 months.

The Certificate of Formation was amended to increase the authorized shares from 100,000,000 to 200,000,000.

The Company ("SA") executed an Acquisition and Share Exchange Agreement with Signal Advance Technologies, Inc. ("SAT"), a privately held Texas Corporation. Per the agreement, eligible shareholders acquired 100% of the equity and voting power in SAT immediately following the closing. In exchange, SAT acquired 75,000,000 shares (approx. 82% of the equity) of SA, making the Company a majority-owned subsidiary of SAT (see Current Report dated 22OCT19).

Further, SAT acquired 80% of the equity and voting power of PIC Pocket, LLC (PIC), a venture formed to develop and commercialize defense-related applications for SA technology. PIC's principal has decades of experience developing technology for the U.S. Dept of Defense.

The financial reports of the two subsidiaries (SA and PIC) are consolidated with those of SAT and reported herein.

3) Issuance History

A. Changes to the Number of Outstanding Shares

Check this box to indicate there were no changes to the number of outstanding shares within the past two completed fiscal years and any subsequent periods: ☐

No. of Shares Outstanding as of **January 1, 2018**: Opening Balance (Common): **14,285,342**

Date of Transaction	Type of Transaction	Number of Shares Issued	Class of Securities	Value of Shares Issued	Issued at a Discount	Individual/Entity to Whom Shares were Issued	Reason for Issuance	Restricted on Filing Date?	Exemption/Registration (Rule)
30-MAY-18	New Issue	1,000,000	Common	\$0.05	No	Chris M. Hymel	Credit Line	Yes	4(a)(2)
12-NOV-18	New Issue	1,000,000	Common	\$0.05	No	Chris M. Hymel	Credit Line	Yes	4(a)(2)
12-NOV-18	New Issue	50,000	Common	\$0.05	No	Michael Watson	Services	Yes	4(a)(2)
12-NOV-18	New Issue	50,000	Common	\$0.05	No	Richard C. Seltzer	Services	Yes	4(a)(2)
12-NOV-18	New Issue	25,000	Common	\$0.05	No	Malcolm & Lois Skolnick, TTEES Skolnick FM LIV TR	Services	Yes	4(a)(2)
12-NOV-18	New Issue	25,000	Common	\$0.05	No	Ron A. Stubbers	Services	Yes	4(a)(2)

12-MAR-19	Correction	62,500	Common	\$0.01	No	Ron A. Stubbers (1)	Services	Yes	4(a)(2)
05-JUN-19	New Issue	35,714	Common	\$0.07	No	Richard C Seltzer	Cash	Yes	4(a)(2)
30-SEP-19	New Issue	50,000	Common	\$0.08	No	Richard C Seltzer	Services	Yes	4(a)(2)
29-OCT-19	New Issue	75,000,000	Common	N/A	No	Signal Advance Technologies, Inc.	Acquisition/Share Exch.	Yes	4(a)(2)
05-DEC-19	New Issue	20,000	Common	\$0.09	No	Mabrico A. Johnson	Cash	Yes	4(a)(2)
05-DEC-19	New Issue	2,000	Common	\$0.09	No	Ramona Christine Johnson	Cash	Yes	4(a)(2)
31-DEC-19	New Issue	50,000	Common	\$0.06	No	Richard C. Seltzer	Services	Yes	4(a)(2)
31-DEC-19	New Issue	30,000	Common	\$0.06	No	Malcolm & Lois Skolnick, TTEES	Services	Yes	4(a)(2)
31-DEC-19	New Issue	30,000	Common	\$0.06	No	Skolnick FM LIV TR	Services	Yes	4(a)(2)
31-DEC-19	New Issue	30,000	Common	\$0.06	No	Ron A. Stubbers	Services	Yes	4(a)(2)

No. of Shares Outstanding as of **December 31, 2019**: Ending Balance (Common): **91,716,057**

Notes: (1) Corrects Clerical Error: Original Issuance date: June 13, 2004

B. Debt Securities, Including Promissory and Convertible Notes: N/A

4) Financial Statements

Financial statements for the years ended December 31, 2019 and 2018 are provided in Appendix A.

- A. The attached financial statements were prepared in accordance with GAAP.
- B. The financial statements for this reporting period were prepared by the following individual that has the requisite financial skill/experience: Dr. Chris M. Hymel, CEO/CFO

5) Issuer's Business, Products and Services

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

- A. Summary of the issuer's business operations (If the issuer does not have current operations, state "no operations")

Signal Advance, Inc. is a technology development firm that has been developing its proprietary Signal Advance Technology which may significantly reduce signal detection delays associated with a variety of physical sensors to improve response time/performance in control, intervention, and/or signal transmission systems.

- B. Parent Company: Signal Advance Technologies, Inc.

- C. The issuers' principal products or services, and their markets

Products/Services: Engineering research and technology development related to the application and implementation of the Company's proprietary Signal Advance technology. This technology has been patented in the U.S., China, Europe and Mexico and India. Addressable markets include biomedicine, industrial process control, transportation, cyber-security and defense. Potential applications include control/interventional applications in which a reduced response delay yields improved performance.

6) Issuer's Facilities

The issuer currently leases 1,000 Sq. ft. of office/lab space with access to an additional 4,000 sq. ft. of shop space located in the greater Houston area at 2520 County Road 81, Rosharon, Texas 77583. The Company also owns the necessary technology development equipment/instruments to develop its technology and the license to use the patented Signal Advance technology.

7) Officers, Directors, and Control Persons Holdings (as of December 31, 2019)

Officer, Director, Control Person	Affiliation	Residential Address (City / State Only)	Number of shares owned	Share type/class	Ownership Percentage of Class Outstanding
Signal Advance Technologies, Inc.	Parent Company	Rosharon, Texas	75,000,000	Common	81.77%
Chris M. Hymel	CEO, CFO, Director	Rosharon, Texas	8,224,030	Common	8.97%
Richard C. Seltzer	Director	Houston, Texas	607,980	Common	0.65%
Malcolm Skolnick	Secretary, Director	Houston, Texas	383,334	Common	0.45%
Ron A Stubbers	VP, Director	Houston, Texas	326,250	Common	0.39%

8) Legal/Disciplinary History

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

1. A conviction in a criminal proceeding or named as a defendant in a pending criminal proceeding (excluding traffic violations and other minor offenses); No
2. The entry of an order, judgment, or decree, not subsequently reversed, suspended or vacated, by a court of competent jurisdiction that permanently or temporarily enjoined, barred, suspended or otherwise limited such person's involvement in any type of business, securities, commodities, or banking activities; No
3. A finding or judgment by a court of competent jurisdiction (in a civil action), the Securities and Exchange Commission, the Commodity Futures Trading Commission, or a state securities regulator of a violation of federal or state securities or commodities law, which finding or judgment has not been reversed, suspended, or vacated; No or
4. The entry of an order by a self-regulatory organization that permanently or temporarily barred, suspended, or otherwise limited such person's involvement in any type of business or securities activities. No

B. Describe briefly any material pending legal proceedings, other than ordinary routine litigation incidental to the business, to which the issuer or any of its subsidiaries is a party or of which any of their property is the subject. Include the name of the court or agency in which the proceedings are pending, the date instituted, the principal parties thereto, a description of the factual basis alleged to underlie the proceeding and the relief sought. Include similar information as to any such proceedings known to be contemplated by governmental authorities. N/A

9) Third Party Providers

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

Corporate Counsel

Name: Richard C. Seltzer, Attorney at Law
Firm: Seltzer Chadwick Soefje & Ladik, PLLC
Address: 2100 Travis Street, Suite 645
Houston, TX 77002
Phone: 713 522 7333
Email: rseltzer@realclearcounsel.com

Auditor

Name: Carlos Lopez, CPA
Firm: LBB & Associates Ltd., LLP
Address: 10260 Westheimer Rd, Ste 310
Houston, TX 77042
Phone: 713 877 9944
Email: info@lbbcpa.com

Investor Relations Consultant: N/A

Other Service Providers: N/A

10) Issuer Certification

Principal Executive and Financial Officer:

I, Chris M. Hymel certify that:

1. I have reviewed this annual disclosure statement of Signal Advance, Inc.;
2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

Date: March 30, 2020

/s/ Chris M. Hymel, CEO/CFO



**SIGNAL ADVANCE, INC.
FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION**

Years Ended December 31, 2019 and 2018

TABLE OF CONTENTS

FINANCIAL STATEMENTS	Page No.
Balance Sheets as of December 31, 2019 and 2018.....	F 2
Statements of Operations for Years Ended December 31, 2019 and 2018.....	F 3
Statements of Cash Flows for Years Ended December 31, 2019 and 2018.....	F 4
Statement of Changes in Shareholders' Equity from December 31, 2018 to December 31, 2019.....	F 5
Notes to Financial Statements.....	F 6-10
 CONSOLIDATED FINANCIAL STATEMENTS FOR SIGNAL ADVANCE TECHNOLOGIES, INC. (Parent).....	 F 11
Consolidated Balance Sheets as of December 31, 2019.....	F 12
Consolidated Statements of Operations for the Year Ended December 31, 2019.....	F 13
Consolidated Statements of Cash Flows for the Year Ended December 31, 2019.....	F 14

Signal Advance, Inc.
Balance Sheets
As of December 31, 2019 and 2018
(Unaudited)

	December 31	
	2019	2018
ASSETS		
Cash and Cash Equivalents	\$ 7,379	\$ 1,825
Property and Equipment, net	5,965	0
Intellectual Property	95,165	0
Long-Term Investments	0	100,000
TOTAL ASSETS	\$ 108,510	\$ 1,825
LIABILITIES & EQUITY		
Liabilities		
Account Payable	0	8,300
Line of Credit - Shareholder	921	20,352
Total Liabilities	\$ 921	\$ 28,652
Shareholders' Equity (Deficit)		
Common Stock - \$0 par value		
200,000,000 shares authorized		
- shares Issued and outstanding		
16,435,342 as of December 31, 2018		
91,716,057 as of December 31, 2019		
Additional Paid-In Capital	6,042,611	5,884,111
Accumulated Deficit	(5,810,938)	(5,718,156)
Net Income (Loss)	(124,084)	(92,782)
Total Shareholders' Equity (Deficit)	\$ 107,589	\$ 73,173
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY (DEFICIT)	\$ 108,510	\$ 101,825

See Accompanying Notes to the Financial Statements

F 2

Signal Advance, Inc.
Statements of Operations
Years Ended December 31, 2019 and 2018
(Unaudited)

	January - December	
	<u>2019</u>	<u>2018</u>
Ordinary Income/Expense		
Income		
Consulting	\$ <u>0</u>	\$ <u>2,000</u>
Total Income	<u>0</u>	<u>2,000</u>
Gross Profit	\$ 0	\$ 2,000
Expense		
General and Administrative	33,058	24,701
Intellectual Property	5,061	12,078
Professional Services	86,474	79,832
Research and Development	46,000	51,969
Depreciation	<u>1,491</u>	<u>0</u>
	<u>172,084</u>	<u>168,579</u>
Net Ordinary Income	\$ (172,084)	\$ (166,579)
Other Income/Expense		
Other Income	65,000	45,000
Other Expense	<u>(17,000)</u>	<u>(28,797)</u>
Net Other Income (Expense)	<u>48,000</u>	<u>73,797</u>
Net Income	\$ <u>(124,084)</u>	\$ <u>(92,782)</u>

See Accompanying Notes to the Financial Statements

F 3

Signal Advance, Inc.
Statements of Cash Flow
Years Ended December 31, 2019 and 2018
(Unaudited)

	January - December	
	<u>2019</u>	<u>2018</u>
OPERATING ACTIVITIES		
Net Income	\$ (124,084)	\$ (92,782)
Adjustments to reconcile Net Income to net cash provided by operations:		
Account Payable	(8,300)	8,300
Contingent Liability	0	(28,797)
Depreciation	1,491	0
Stock Compensation	4,000	107,500
Net cash provided by Operating Activities	\$ (126,893)	\$ (119,089)
INVESTING ACTIVITIES		
Purchase of Property and Equipment	(7,457)	0
Intangible Property	(95,165)	0
Long-Term Investments	100,000	0
Net cash provided by Investing Activities	\$ (2,622)	\$ 0
FINANCING ACTIVITIES		
Line of Credit - Shareholder, net	(19,431)	(5,810)
Proceeds from Sale of Common Stock	154,500	0
Net cash provided by Financing Activities	\$ 135,069	\$ (5,810)
Net cash increase for period	5,554	(11,589)
Cash at beginning of period	1,825	13,413
Cash at end of period	\$ <u>7,379</u>	\$ <u>1,825</u>

See Accompanying Notes to the Financial Statements

F 4

Signal Advance, Inc.
Statements of Shareholders' Equity (Deficit)
Years Ended December 31, 2019 and 2018
(Unaudited)

	Common Stock		Additional	Accumulated		Total
	Shares	Amount	Paid-In	Other	Accumulated	Shareholders'
			Capital	Comprehensive	Deficit	Equity
				Gain (Loss)		
Balance as of December 31, 2018	16,435,342	\$ -	\$ 5,884,111	\$ -	\$ (5,810,938)	\$ 5,507
Shares issued for cash	58,215	-	154,500	-	-	154,500
Shares issued for services	222,500	-	4,000	-	-	4,000
Shares issued for payment of related party line of credit	-	-	-	-	-	-
Shares Issued per exchange agreement	75,000,000	-	-	-	-	-
Net Other Comprehensive Loss	-	-	-	-	-	-
Net Loss	-	-	-	-	(124,084)	(124,084)
Balance as of December 31, 2019	91,716,057	\$ -	\$ 6,042,611	\$ -	\$ (5,935,022)	\$ 39,923

See Accompanying Notes to the Financial Statements

F 5

Signal Advance, Inc.
Notes to Financial Statements
Years Ended December 31, 2019 and 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF OPERATIONS AND ORGANIZATION: Signal Advance, Inc. (the "Company"), 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, data acquisition and analysis systems, electronic technology development, biomedicine, intellectual property protection and a broad range of regulatory requirements (e.g., SEC, IRS, FDA, UL, CSA, FCC, etc.). The Company is focused on developing and implementing its proprietary signal advance technology that acts to reduce signal detection delay with potential applications in biomedicine, transportation, defense, communications, cyber-security and industrial control systems

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 OR LONG LIVED ASSETS: The Company anticipates amortizing intangible assets such as intellectual property 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 adjustments that, in the opinion of management, 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 holds 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 acquired a majority (>50%) investment in a joint venture, operating under Biodyne Development, a Limited Liability Company (LLC). The equity method of accounting for investments in general partnerships is generally appropriate for accounting by partners for their investments in limited partnerships if the Company has the ability to exercise significant influence on the LLC. Under the equity method, an investor recognizes its share of the earnings or losses of an investee in the periods for which they are reported by the investee in its financial statements rather than the period in which an investee declares a dividend. The investor adjusts the carrying amount of the investment for its shares of the earnings or losses of the investee after the date of investment and reports the recognized earnings or losses in income. An investor's share of the earnings or losses of the investee shall be based on the equity held by that investor (FASB-ASC 323-10-35).

In the year ended December 31, 2019, following the death of the venture partner, the Company's equity interest in the venture was transferred to the Company in the form of intellectual property valued at \$95,165 and equipment valued at \$4,835.

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. The Company recognizes as revenue the fees charged clients as referenced below when 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.

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. 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 year ended December 31, 2019, the Company recognized \$48,000 in revenues.

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 December 31, 2019, 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, but has not yet generated sufficient operating revenue to fund its development activities. 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 has been obtained for the specifically identifiable intellectual property (IP) termed Signal Advance technology. The Intellectual property derives from a license of the IP in the form of issued patents both domestic and international. The patents are issued in the name of the inventor, Chris M. Hymel, Ph.D., the Company President and were licensed to the Company under an Intellectual Property License. The following table lists the patent applications and issued patents and their respective status:

Patent Office	Patent No	Granted
United States	8452544	Granted May 2013
China	ZL 200880015288.2	Granted Nov. 2012
Europe	EP 08 75 4879.8	Granted Jan. 2017
Mexico	MX/A/2009/00921	Granted Apr. 2014
India	3465/KOLNP/2009	Granted Aug. 2019

The expenses incurred in acquiring the intellectual property license as well as the domestic and international patent and trademark protection are expensed (included as "Intellectual Property" under expenses on the Statements of Operations for the years ended December 31, 2019). These costs include expenses to prepare and prosecute patent applications and protect the intellectual property, including filing and issuance fees, fees for consultants, experts, advisors, patent attorneys (including foreign associates), patent applications, patents claims and other amendments and responses to office actions.

Additional patent submissions related to specific applications, SA circuit configurations, and signal processing techniques are under consideration. Any patent infringement case may hinder the Company's ability to generate revenues.

NOTE C - PROPERTY AND EQUIPMENT

Property and equipment as of December 31, 2019 and 2018 are summarized as follows:

	<u>2019</u>	<u>2018</u>
Cost / Basis	\$ 7,456	\$ 0
Accumulated depreciation	<u>1,491</u>	<u>0</u>
Total property and equipment, net	\$ 5,965	\$ 0

Depreciation expense during the years-ended December 31, 2019 and 2018 were \$1,491 and \$0, respectively.

NOTE D - AVAILABLE FOR SALE SECURITIES

The Company currently has no Available for Sale Securities

NOTE E - INCOME TAXES

The Company follows ASC 740-10-50 "Accounting for Income Taxes." Deferred income taxes reflect the net effect of (a) temporary difference between carrying amounts of assets and liabilities for financial purposes and the amounts used for income tax reporting purposes, and (b) net operating loss carry-forwards. No net provision for refundable Federal income tax has been made in the accompanying statement of loss because no recoverable taxes were paid previously. Similarly, no deferred tax asset attributable to the net operating loss carry-forward has been recognized, as it is not deemed likely to be realized.

The provision for refundable federal income tax consists of the following for the years ended 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Federal income tax benefit attributed to:		
Net operating loss	<u>124,084</u>	<u>92,782</u>
Valuation allowance	<u>(124,084)</u>	<u>(92,782)</u>
Net benefit	-	-
The cumulative tax effect at the rate of 21% of significant items comprising the Company's net deferred tax amount is as follows:		
Deferred tax attributed:		
Net operating loss carryover	<u>1,246,355</u>	<u>1,220,297</u>
Less: change in valuation allowance	<u>(1,246,355)</u>	<u>(1,220,297)</u>
Net deferred tax asset	-	-

At December 31, 2019, the Company had an unused net operating loss carry-forward of \$5,935,022 that is available to offset future taxable income; the loss carry-forwards will start to expire in 2028.

NOTE F - LINE OF CREDIT - SHAREHOLDER

The President provides funds to the Company under on 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 accrues simple interest at 2.5% per quarter. As of December 31, 2019, the remaining balance payable was \$921 and included accrued interest of \$4,945.

F 9

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 \$8,400 for the years ended December 31, 2019 and 2018.

NOTE H - EQUITY

During the year ended December 31, 2018, the Company made the following Common Stock issuances:

- 1) 50,000 shares of common stock valued at \$2,500 to a consultant in exchange for services.
- 2) 125,000 shares of common stock valued at \$6,250 to Officers and Directors in exchange for services.
- 3) 2,000,000 shares of common stock valued at \$100,000 to partially repay the related party line of credit.

During the year ended December 31, 2019, the Company made the following Common Stock issuances:

- 1) 160,000 shares of common stock valued at \$10,600 to Officers and Directors in exchange for services.
- 2) 57,715 shares of common stock valued for \$4,500 in cash.
- 3) 75,000,000 shares of common stock per the terms of an acquisition and share exchange agreement.
- 4) 62,500 shares of common stock valued at \$6,250 originally issued to an Officer/Director in 2004 were added to correct the transfer agent's records and thus was not a new issuance.

NOTE I – ACQUISITIONS AND SHARE EXCHANGE

On September 9, 2019, the Company entered into a Share Exchange Agreement with Signal Advance Technologies, Inc. (SAT). The Exchange Agreement closed on October 22, 2019. Per this agreement, SAT acquired approximately 82% of the equity in the Company in exchange for the current SA shareholders acquiring 100% of the equity of SAT.

Eligible Company shareholders received one share of SAT Common Stock on a pro-rata (one-for-one) basis, for each share of the Company Common Stock currently held, while still retaining their shares of the Company Common Stock pursuant to the terms and subject to the conditions set forth in the agreement.

Issuances of shares of SAT Common Stock to current shareholders of Company Stock are limited to shareholders to whom the shares have been legally issued, fully-paid and non-assessable. If Company Stock was acquired in exchange for services rendered, the services must have been satisfactorily completed in the opinion of the Company and its Corporate Counsel. Final determinations as to legal ownership of Company Stock are the sole discretion of the Company and its Corporate Counsel.

As a result of the transaction: 1) Immediately following the Exchange transaction, the current (eligible) Company shareholders acquired, on a pro-rata basis, one hundred percent (100%) of the total voting power and value of the stock of SAT; 2) SAT acquired just over 80% percent of the total voting power and equity of the Company; 3) The Company. became a majority-owned subsidiary of Signal Advance Technologies, Inc.

The parent company (SAT) has also acquired 80% of the equity and voting power of PIC Pocket, LLC (PIC), a joint venture formed to develop and commercialize defense-related applications for SA technology. PIC's principal has decades of experience developing technology for the U.S. Dept of Defense.

The consolidated SAT financial reports that include the contributions from each of the subsidiaries (the Company (SA) and PIC) are also provided herein below.

CONSOLIDATED FINANCIAL REPORTS
SIGNAL ADVANCE TECHNOLOGIES, INC.
(Parent Company)

Signal Advance Technologies, Inc.
Consolidated Balance Sheet
As of December 31, 2019
(Unaudited)

	December 31, 2019
ASSETS	
Cash and Cash Equivalents	541,383
Other Current Asset (Money Market Fund)	2,500,000
Property and Equipment, net	40,774
Intellectual Property	95,165
TOTAL ASSETS	\$ 3,177,322
LIABILITIES & EQUITY	
Liabilities	
Line of Credit - Shareholder	2,349
Total Liabilities	2,349
Shareholders' Equity (Deficit)	
Common Stock - \$0 par value 200,000,000 shares authorized - shares Issued and outstanding 19,148,133 as of December 31, 2019	
Additional Paid-In Capital	9,542,611
Accumulated Deficit	(5,810,938)
Subsidiary Investment (adj.)	(150,000)
Net Income (Loss)	\$ (406,699)
Total Shareholders' Equity (Deficit)	\$ 3,174,974
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY (DEFICIT)	\$ 3,177,322

Signal Advance Technologies, Inc.
Consolidated Statement of Operations
Year Ended December 31, 2019
(Unaudited)

	January - December 2019
Ordinary Income/Expense	
Expense	
General and Administrative	39,996
Depreciation	6,830
Intellectual Property	13,404
Professional Services	366,474
Research and Development	46,000
Total Expense	\$ <u>472,704</u>
Net Ordinary Income	\$ <u>(472,704)</u>
Other Income (Expense)	
Other Income	83,005
Other Expense	<u>(17,000)</u>
Net Other Income (Expense)	<u>66,005</u>
Net Income	\$ <u>(406,699)</u>

Signal Advance Technologies, Inc.
Consolidated Statement of Cash Flow
Year Ended December 31, 2019
(Unaudited)

	January - December 2019
OPERATING ACTIVITIES	
Net Income	\$ (406,699)
Adjustments to reconcile Net Income to net cash provided by operations:	
Account Payable	(8,300)
Contingent Liability	0
Depreciation	6,830
Stock Compensation	4,000
Net cash provided by Operating Activities	\$ <u>(399,870)</u>
INVESTING ACTIVITIES	
Purchase of Property and Equipment	(47,604)
Intangible Property	(95,165)
Long-Term Investments	<u>(50,000)</u>
Net cash provided by Investing Activities	\$ <u>(192,769)</u>
FINANCING ACTIVITIES	
Line of Credit - Shareholder, net	(18,003)
Proceeds from Sale of Common Stock	<u>1,154,500</u>
Net cash provided by Financing Activities	\$ <u>1,136,497</u>
Net Cash Increase for period	\$ 539,558
Cash at beginning of period	<u>1,825</u>
Cash at end of period	<u><u>\$ 541,383</u></u>
Supplemental Disclosures	
Interest Expense	\$ 4,945
Other Current Asset (Money Market Fund)	\$ 2,500,000