

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

Quarterly Report for the Six (6) Month Periods Ended June 30, 2019 and 2018 (the "Reporting Period")

As of June 30, 2019, the number of shares outstanding of our Common Stock was 16,533,557

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 Control¹ 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.

Signal Advance, 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:	100,000,000	as of June 30, 2019
Total shares outstanding:	16,533,557	as of June 30, 2019
Number of Shares in the Public Float:	4,024,501	as of June 30, 2019
Total number of shareholders of record:	185	as of June 30, 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.

Audited financial reports for the years-ended December 30, 2016 & 2015 were submitted in a comprehensive 10-K report covering delinquent report periods preceding the submission of a Form 15 (voluntary suspension of reporting).

The Company is undergoing reorganization following shareholders' authorization to 1) transfer assets, liabilities, etc. to a new private entity in which current shareholders acquire pro-rata number of shares in the new entity in exchange for their shares in Signal Advance, Inc., and 2) enter into a share exchange/purchase and merger agreement in which the Company will receive cash and a percentage of the outstanding shares of the current public company.

The Company has incorporated Signal Advance Technologies, Inc. and negotiated the terms of share exchange and acquisition agreements for the exchange of shares between Signal Advance, Inc. and Signal Advance Technologies, Inc. and transfer of control of the current public entity for cash and 5% equity in the acquiring entity. The transaction is expected to be completed on or before August 31, 2019.

Further, the Company has begun negotiations for a joint venture and license agreement for an application of its proprietary Signal Advance technology.

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, 2017**: Opening Balance (Common): **12,407,342**

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)
13-FEB-17	New Issue	13,000	Common	\$0.10	No	Harold L. Russell	Cash	Yes	4(a)(2)
01-MAR-17	New Issue	10,000	Common	\$0.10	No	Sparkes, Ross	Cash	Yes	4(a)(2)
06-MAR-17	New Issue	10,000	Common	\$0.10	No	Harold L. Russell	Cash	Yes	4(a)(2)
23-MAR-17	New Issue	250,000	Common	\$0.10	No	Jared & Christen Wells, JTWROS	Cash	Yes	4(a)(2)
18-APR-17	New Issue	50,000	Common	\$0.10	No	Grunter Revocable Trust TTEE Belle S Ballard	Cash	Yes	4(a)(2)
18-APR-17	New Issue	50,000	Common	\$0.10	No	Arthur Samuel Keiper III	Cash	Yes	4(a)(2)
08-MAY-17	New Issue	10,000	Common	\$0.10	No	Bob & Marlene Hutchins (1)	Line of Credit	Yes	4(a)(2)
08-MAY-17	New Issue	6,000	Common	\$0.10	No	Kirk Granier (1)	Line of Credit	Yes	4(a)(2)
08-MAY-17	New Issue	4,000	Common	\$0.10	No	Herbert Joe, Cust. Christopher Joe (1)	Line of Credit	Yes	4(a)(2)
08-MAY-17	New Issue	250,000	Common	\$0.10	No	Michael Watson	Services	Yes	4(a)(2)
08-MAY-17	New Issue	20,000	Common	\$0.10	No	Richard C Seltzer	Services	Yes	4(a)(2)
10-MAY-17	New Issue	25,000	Common	\$0.10	No	Sonam Srikishan Bang	Services	Yes	4(a)(2)
04-AUG-17	New Issue	20,000	Common	\$0.10	No	Harold L. Russell	Cash	Yes	4(a)(2)
14-AUG-17	New Issue	250,000	Common	\$0.10	No	Harold L. Russell	Cash	Yes	4(a)(2)
14-AUG-17	New Issue	50,000	Common	\$0.10	No	Vicki Prall	Cash	Yes	4(a)(2)
01-SEP-17	New Issue	20,000	Common	\$0.10	No	Skolnick, Malcolm & Lois, TTEES Skolnick FM LIV TR	Services	Yes	4(a)(2)
01-SEP-17	New Issue	25,000	Common	\$0.10	No	Richard C. Seltzer	Services	Yes	4(a)(2)
01-SEP-17	New Issue	15,000	Common	\$0.10	No	Ron A. Stubbers	Services	Yes	4(a)(2)
30-SEP-17	New Issue	750,000	Common	\$0.10	No	Chris M. Hymel	Line of Credit	Yes	4(a)(2)
27-DEC-17	New Issue	50,000	Common	\$0.10	No	Richard C. Seltzer	Cash	Yes	4(a)(2)
30-MAY-18	New Issue	1,000,000	Common	\$0.05	No	Chris M. Hymel	Line of Credit	Yes	4(a)(2)
12-NOV-18	New Issue	1,000,000	Common	\$0.05	No	Chris M. Hymel	Line of Credit	Yes	4(a)(2)
12-NOV-18	New Issue	50,000	Common	\$0.05	No	Michael Watson	Services: R&D	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	Skolnick, Malcolm & Lois, 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 (2)	Services	Yes	4(a)(2)
05-JUN-19	New Issue	35,714	Common	\$0.07	No	Richard C Seltzer	Cash	Yes	4(a)(2)

No. of Shares Outstanding as of **June 30, 2019**: Ending Balance (Common): **16,533,557**

Notes: (1) Gifted by Chris M. Hymel

(2) Corrects Clerical Error: Original Issuance date: June 13, 2002

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

4) Financial Statements

Financial statements for the interim three (3) month period ended March 31, 2019 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:

Chris M. Hymel, Ph.D., President/Treasurer

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. (SA) is a technology development firm that is 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. In addition, the Company is developing a Neural Training delivery platform to which the Company plans to implement its proprietary technology.

- B. There are no subsidiaries, parents, or affiliated companies.

- 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 is under examination in India.

Addressable markets: biomedicine, industrial process control, transportation, 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

Name: Officer, Director, Control Person	Affiliation with Company	Residential Address (City / State Only)	Number of shares owned	Share type/class	Ownership Per- centage of Class Outstanding	Note
Chris M. Hymel	CEO, CFO, Director	Rosharon, Texas	8,224,030	Common	49.7%	
Richard C. Seltzer	Director	Houston, Texas	495,480	Common	3.0%	
Malcolm Skolnick	Secretary, Director	Houston, Texas	383,334	Common	2.3%	
Ron A Stubbers	VP, Director	Houston, Texas	326,250	Common	2.0%	

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; or 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: Law Offices of Richard C. Seltzer
Address: 2211 Norfolk, Ste 400
Houston, TX 77098
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 quarterly 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: July 15, 2019

/s/ Chris M. Hymel, President/Treasurer

APPENDIX A:



SIGNAL ADVANCE, INC.
AMENDED FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

Six (6) Month Periods Ended June 30, 2019 and 2018

TABLE OF CONTENTS

FINANCIAL STATEMENTS	Page No.
Balance Sheet as of June 30, 2019 and 2018.....	F2
Statement of Operations – Six (6) Month Periods Ended June 30, 2019 and 2018.....	F3
Statements of Cash Flows – Six (6) Month Periods Ended June 30, 2019 and 2018.....	F4
Notes to Financial Statements.....	F5-9

Signal Advance, Inc.
Amended Balance Sheets
As of June 30, 2019 and 2018
(Unaudited)

	June	
	<u>2019</u>	<u>2018</u>
ASSETS		
Current Assets		
Cash or Cash Equivalent	\$ 3,922	\$ 2,573
Total Current Assets	<u>3,922</u>	<u>2,573</u>
Other Assets		
Long-Term Investments	<u>100,000</u>	<u>100,000</u>
Total Other Assets	<u>100,000</u>	<u>100,000</u>
TOTAL ASSETS	\$ <u>103,922</u>	\$ <u>102,573</u>
LIABILITIES & EQUITY		
Liabilities		
Current Liabilities		
Line of Credit, Shareholder	<u>40,635</u>	<u>29,450</u>
Total Current Liabilities	<u>40,635</u>	<u>29,450</u>
Long Term Liabilities		
Contingent Liability	<u>17,000</u>	<u>28,797</u>
Total Long Term Liabilities	<u>17,000</u>	<u>28,797</u>
Total Liabilities	\$ <u>57,635</u>	\$ <u>58,247</u>
Shareholders' Equity (Deficit)		
Paid-In Additional Capital	5,886,611	5,826,611
Retained Earnings	(5,810,938)	(5,718,156)
Net Income	<u>(29,386)</u>	<u>(64,129)</u>
Total Shareholders' Equity (Deficit)	\$ <u>46,287</u>	\$ <u>44,326</u>
TOTAL LIABILITIES & SHAREHOLDERS, EQUITY (DEFICIT)	\$ <u>103,922</u>	\$ <u>102,573</u>

Amended Statements of Operations
Six (6) Month Periods Ended June 30, 2019 and 2018
(Unaudited)

	January - June	
	<u>2019</u>	<u>2018</u>
Ordinary Income/Expense		
Income		
Consulting	\$ 0	\$ 5,000
Total Income	<u>0</u>	<u>0</u>
 Gross Profit	 \$ 0	 \$ 5,000
Expense		
General and Administrative	\$ 13,704	\$ 11,963
Intellectual Property	4,357	10,276
Professional Services	40,825	20,000
Research and Development	18,500	26,890
Total Expense	<u>77,636</u>	<u>69,129</u>
 Net Ordinary Income (Loss)	 (77,636)	 (64,129)
 Other Income/Expense		
Other Income	65,000	0
Contingent Liability	<u>(17,000)</u>	<u>0</u>
Net Other Income	<u>48,000</u>	<u>0</u>
 Net Income (Loss)	 <u><u>(29,386)</u></u>	 <u><u>(64,129)</u></u>

See Accompanying Notes to the Financial Statements

Signal Advance, Inc.
Amended Statements of Cash Flow
Six (6) Month Periods Ended June 30, 2019 and 2018
(Unaudited)

	January - June	
	2019	2018
OPERATING ACTIVITIES		
Net Income	\$ 22,121	\$ (35,825)
Adjustments to reconcile Net Income to net cash provided by operations:		
Account Payable	(8,300)	0
Net cash provided by Operating Activities	<u>13,821</u>	<u>(35,825)</u>
INVESTING ACTIVITIES		
Long-Term Investments	<u>0</u>	<u>0</u>
Net cash provided by Investing Activities	<u>0</u>	<u>0</u>
FINANCING ACTIVITIES		
Line of Credit, Shareholder, net	(228)	28,088
Net cash provided by Financing Activities	<u>(228)</u>	<u>0</u>
 Net cash increase for period	 <u>13,593</u>	 <u>(7,738)</u>
 Cash at beginning of period	 <u>1,825</u>	 <u>13,413</u>
 Cash at end of period	 <u>\$ 15,418</u>	 <u>\$ 5,676</u>
 Supplemental Disclosure		
Interest Paid	\$ 1,516	\$ 2,111

Signal Advance, Inc.
Amended Notes to Financial Statements
Six (6) Month Periods Ended June 30, 2019 and 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 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.

The costs associated with intellectual property licensing and domestic and international patent and trademark protection are expensed (included as "Intellectual Property" under expenses on the Statements of Operations for the six (6) month periods ended June 30, 2019 and 2018. These costs include expenses to prepare and prosecute patent applications and protect the IP, filing and issuance fees, fees for consultants, experts, advisors, patent attorneys (including foreign associates), responses to office actions, annual patent renewals etc. Any patent infringement case may hinder the Company's ability to generate revenues.

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 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. The Company currently has no Available for Sale securities

INVESTMENTS IN A LIMITED LIABILITY COMPANY: The Company holds a minority (<50%) investment in 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). Periodic assessment of impairment is made by the Company. To date, no impairment related to this long-term investment has been recognized.

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 six (6) month period ended June 30, 2019, the Company recognized \$65,000 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.

During the flood resulting from Hurricane Harvey, the Company incurred a casualty loss resulting in the write-down of the carrying value of its property and equipment to zero as well as losses to its facilities totaling \$28,797 in the first quarter of 2018.

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 December 31, 2018, 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 patents are filed in the name of the inventor, Chris M. Hymel, Ph.D., the Company President and licensed to the Company under an Intellectual Property License Agreement.

The IP derives from an assignment of the IP in the form of a patent application filed with the United States Patent and Trademark Office as well as any related patents subsequently issued in the U.S or internationally.

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 license 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 license the IP was 1,525,000 shares of SA common stock, that was expensed as the agreement is a transaction between entities under common control (FASB ASC 805-50-30-5,6). The value of the common stock issued 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%.

The following table lists the patent applications and issued patents and their respective status.

Patent Office	Patent or Appl. No.	Status
United States	8452544	Granted May 2013
China	ZL 200880015288.2	Granted November 2012
Europe	EP 08 75 4879.8	Granted January 2017
Mexico	MX/A/2009/00921	Granted April 2014
India	3465/KOLNP/2009	Under examination

The European patent has been validated in France, Germany, Ireland, Italy, Spain, Switzerland (and Lichtenstein) and the United Kingdom based on demographics and per capita spending on medical and other technologies that could benefit from the implementation of Signal Advance intellectual property.

Patent submissions related to specific applications, SA circuit configurations, and signal processing techniques and claims related to the Neural training system technology are under consideration.

NOTE C - PROPERTY AND EQUIPMENT

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

	2019	2018
Cost / Basis	\$ 128,082	\$ 128,082
Accumulated depreciation	(128,082)	(128,082)
Total property and equipment, net	\$ 0	\$ 0

There was no depreciation expense during the year ended December 31, 2018.

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 year ending December 31, 2018:

	<u>December 31, 2018</u>
Federal income tax benefit attributed to:	
Net operating loss	<u>92,782</u>
Valuation allowance	<u>(92,782)</u>
Net benefit	<u>-</u>

The cumulative tax effect at the rate of 21% of significant items comprising our net deferred tax amount is as follows:

Deferred tax attributed:

	<u>December 31, 2018</u>
Net operating loss carryover	<u>1,220,297</u>
Less: change in valuation allowance	<u>(1,220,297)</u>
Net deferred tax asset	<u>-</u>

On December 31, 2018, the Company had an unused net operating loss carry-forward approximating \$5,810,938 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 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. The Line of Credit balance, as of June 30, 2019, was \$40,653 including interest totaling \$1,516.

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 for the three (3) month period ended June 30, 2019 totaled \$4,200.

NOTE H – EQUITY

During the six (6) month period ended June 30, 2019, the Company issued 35,715 shares of common stock to one of its directors for \$2,500. In addition, the total outstanding shares was increased by 62,500 shares to correct a clerical error related to a stock issuance in June 2002 that was not reflected in the shareholders' list.