

# 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](http://signaladvance.com)

Email: [info@signaladvance.com](mailto:info@signaladvance.com)

SIC Codes: 8731, 8711

### **Quarterly Report for the Nine-Month Period ended September 30, 2020** (the "Reporting Period")

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

As of September 30, 2020, the number of shares issued and outstanding of our Common Stock was 38,245,792

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 and the dates of the name changes.

Company Name: Signal Advance, Inc. (July 2, 2007)

Predecessors: Biodyne, Inc. (inception); Biodyne Development, Inc. (July 11, 2005);

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](mailto:info@signaladvance.com)

Website: [signaladvance.com](http://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 September 30, 2020
Total shares outstanding:	38,245,792	as of September 30, 2020
Number of Shares in the Public Float:	4,283,992	as of September 30, 2020
Total number of shareholders of record:	215	as of September 30, 2020

### 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:

In the 2020 Annual Shareholders' Meetings, held 13JUL20, the shareholders of both Signal Advance, Inc. (SIGL) and Signal Advance Technologies, Inc. (SAT) authorized their respective management to enter a Merger agreement by and between SIGL and SAT. At that time, SIGL shareholders possessed 84.74% of the total voting power and total value of the Common Stock of SAT. The Boards of Directors of both Companies subsequently met and executed the merger agreement.

Under the terms of the merger agreement, the current shareholders of SAT received pro-rata equity in the public merger survivor, SIGL, by means of the exchange of shares of the Common Stock of SAT on a one-for-one basis for shares of SIGL Common Stock. All assets, including intangible assets (such as intellectual property), licenses, and liabilities were transferred to the merger survivor, Signal Advance, Inc. and SAT ceased operations.

Per the terms of the proposed Merger agreement:

1. Current holders of the Common Stock of SAT were issued one share of SIGL Common Stock in exchange for each share of the SAT Common Stock held; and
2. SAT relinquished 75,000,000 shares of SIGL Common Stock held in the name of SAT which were subsequently cancelled.
3. Immediately following the closing of the Merger, the existing SIGL shareholders possessed 91.67% percent of the total voting power and the total value of the stock of SIGL. No shareholder experienced a dilution of greater than 50%.

## 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		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	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	22,000	Common	\$0.09	No	Private Investor	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	Services	Yes	4(a)(2)
31-DEC-19	New Issue	30,000	Common	\$0.06	No	Ron A. Stubbers	Services	Yes	4(a)(2)

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

**No. of Shares Outstanding as of December 31, 2019: 91,716,057**

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)
28-JUL-20	Cancellation	(75,000,000)	Common	N/A	N/A	Signal Advance Technologies, Inc.	Merger	N/A	N/A
11-SEP-20	New Issue	21,759,735	Common	N/A	N/A	Signal Advance Technologies, Inc. Shareholders	Merger	Yes	4(a)(2)

**No. of Shares Outstanding as of September 30, 2020: Closing Balance (Common): 38,245,792**

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

**4) Financial Statements**

Consolidated financial statements for the nine-month periods ended September 30, 2020 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: Technology development; Early commercialization
- B. Signal Advance, Inc. has been developing its proprietary Signal Advance Technology which has been shown to significantly reduce signal detection delays associated with a variety of physical sensors in order to reduce response time and thus improve performance in control, intervention, and signal transmission systems as well as potential application in analog encryption methodologies.
- C. The issuers' principal products or services, and their markets

Products/Services: Engineering research and technology development regarding application and implementation of the Company's proprietary Signal Advance technology. This technology is 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 as well as analog encryption.

## 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 as well as the license to use the patented Signal Advance technology.

## 7) Officers, Directors, and Control Persons Holdings as of September 30, 2020

Officers / Directors and Control Persons (>5%)	Affiliation	Residential Address (City / State Only)	Number of shares owned	Share type/class	Ownership Percentage of Class Outstanding
Chris M. Hymel	CEO, CFO, Director	Rosharon, Texas	18,665,627	Common	48.78%
Richard C. Seltzer	Director	Houston, Texas	1,240,270	Common	3.24%
Malcolm Skolnick	Secretary, Director	Houston, Texas	810,472	Common	2.12%
Ron A Stubbers	VP, Director	Houston, Texas	687,500	Common	1.80%
Officer/Directors as a Group			21,393,869		55.94%

## 8) Legal/Disciplinary History

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

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
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](mailto:rseltzer@realclearcounsel.com)

### Auditor

N/A

### Investor Relations:

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 and financial 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, cash flows and change in shareholders' equity of the issuer as of, and for, the periods presented in this disclosure statement.

Date: November 10, 2020

/s/ Chris M. Hymel, CEO/CFO

**APPENDIX A:**



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

**Nine (9) Month Periods Ended September 30, 2020 and 2019**

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**Signal Advance, Inc.**  
**Consolidated Balance Sheets**  
**As of September 30, 2020 and 2019**  
**(Unaudited)**

	<b>September 30,</b>	
	<b>2020</b>	<b>2019</b>
<b>ASSETS</b>		
Current Assets		
Checking/Savings	4,217,459	53,731
Advances	7,500	0
Available for Sale Securities	4,435,254	2,504,166
Short-Term Loan	557,581	0
Sale of Securities	14,376	0
Total Current Assets	9,232,169	2,557,897
Property and Equipment, net	59,129	14,223
Other Assets		
Intellectual Property	414,350	5,061
Long-Term Investments	0	100,000
Total Other Assets	414,350	105,061
<b>TOTAL ASSETS</b>	<b>9,705,648</b>	<b>2,677,181</b>
<b>LIABILITIES &amp; EQUITY</b>		
Liabilities		
Current Liabilities		
Accounts Payable	0	2,500
Contingent Liability	14,400	17,000
Line of Credit Shareholder, net	0	8,711
Total Current Liabilities	14,400	28,211
Total Liabilities	14,400	28,211
Shareholders' Equity (Deficit)		
Common Stock: -0- par value		
200,000,000 shares authorized		
- shares issued and outstanding		
91,716,057 as of December 31, 2019		
38,245,792 as of September 30, 2020		
Additional Paid-In Capital	9,362,468	8,535,861
Accumulated Deficit	(5,925,317)	(5,810,938)
Net Income (Loss)	6,254,097	(75,953)
Total Shareholders' Equity (Deficit)	9,691,248	2,648,970
<b>TOTAL LIABILITIES &amp; SHAREHOLDERS' EQUITY (DEFICIT)</b>	<b>9,705,648</b>	<b>2,677,181</b>

See Accompanying Notes to the Financial Statements

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**Signal Advance, Inc.**  
**Consolidated Statements of Operations**  
**Nine (9) Month Periods Ended September 30, 2020 and 2019**  
**(Unaudited)**

	January - September	
	<u>2020</u>	<u>2019</u>
Ordinary Income/Expense		
Income		
Consulting	\$ 6,347,811	\$ 0
Total Income	<u>6,347,811</u>	<u>0</u>
Gross Profit	\$ 6,347,811	\$ 0
Expense		
General and Administrative	18,353	24,674
Professional Services	72,997	64,975
Research and Development	18,165	38,500
Depreciation	<u>6,824</u>	<u>0</u>
	116,339	128,149
Net Ordinary Income	\$ <u>6,231,472</u>	\$ <u>(128,149)</u>
Other Income/Expense		
Other Income	22,625	69,197
Other Expense	<u>0</u>	<u>(17,000)</u>
Net Other Income (Expense)	<u>22,625</u>	<u>51,197</u>
<b>Net Income</b>	<b>\$ <u>6,254,097</u></b>	<b>\$ <u>(75,953)</u></b>

See Accompanying Notes to the Financial Statements



**Signal Advance, Inc.**  
**Consolidated Statements of Cash Flow**  
**Nine (9) Month Periods Ended September 30, 2020 and 2019**  
**(Unaudited)**

	<b>January - September</b>	
	<b>2020</b>	<b>2019</b>
	<u>          </u>	<u>          </u>
<b>OPERATING ACTIVITIES</b>		
Net Income	6,254,097	(75,953)
Adjustments to reconcile Net Income to net cash provided by operations:		
Advances	(32,500)	(5,800)
Depreciation	6,824	0
Line of Credit - Shareholder	(3,034)	(11,641)
Stock Compensation	344,688	4,000
Net cash provided by Operating Activities	<u>6,570,075</u>	<u>(89,394)</u>
<b>INVESTING ACTIVITIES</b>		
Available for Sale Securities	(1,920,383)	(2,504,166)
Intellectual Property	(314,124)	(5,061)
Purchase of Property and Equipment	(38,524)	(14,223)
Sale of Securities	(14,376)	0
Short-Term Loan	(557,581)	0
Net cash provided by Investing Activities	<u>(2,844,988)</u>	<u>(2,523,450)</u>
<b>FINANCING ACTIVITIES</b>		
Contingent Liability	14,400	17,000
Proceeds from Sale of Common Stock/Equity	478,320	2,647,750
Net cash provided by Financing Activities	<u>492,720</u>	<u>2,664,750</u>
Net cash increase for period	4,217,807	51,906
Cash at beginning of period	<u>4,652</u>	<u>1,825</u>
Cash at end of period	<u><b>4,222,459</b></u>	<u><b>53,731</b></u>

See Accompanying Notes to the Financial Statements

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**Signal Advance, Inc.**  
**Statements of Changes in Shareholders' Equity**  
**Nine (9) Month Period Ended September 30, 2020 and Years Ended December 31, 2019 and 2018**  
**(Unaudited)**

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Accumulated Other Comprehensive Gain (Loss)	Accumulated Deficit	Total Shareholders' Equity
<b>Balance as of Dec. 31, 2018</b>	<b>16,435,342</b>	<b>\$ -</b>	<b>\$ 5,884,111</b>	<b>\$ -</b>	<b>\$ (5,810,938)</b>	<b>\$ 73,173</b>
Shares Issued for Cash	58,215	-	149,500	-	-	149,500
Shares Issued for Services	222,500	-	10,600	-	-	10,600
Shares Issued to Signal Advance Technologies (SAT) per Exchange Agreement	75,000,000	-	-	-	-	-
Net Other Comprehensive Loss	-	-	-	-	-	-
Net Income (Loss)	-	-	-	-	(125,391)	(125,391)
<b>Balance as of Dec. 31, 2019</b>	<b>91,716,057</b>	<b>\$ -</b>	<b>\$ 6,044,211</b>	<b>\$ -</b>	<b>\$ (5,936,329)</b>	<b>\$ 107,882</b>
Shares Issued for Cash	150,000	-	15,000	-	-	15,000
Shares Issued for Signal Advance Technologies, Inc. Assets per Merger Agreement	21,379,735	-	3,314,269	-	-	3,314,269
Shares cancelled by Signal Advance Technologies, Inc. per Merger Agreement	(75,000,000)	-	N/A	-	-	-
Net Other Comprehensive Loss	-	-	-	-	-	-
Net Income (Loss)	-	-	-	-	6,254,097	6,254,097
<b>Balance as of Sep. 30, 2020</b>	<b>38,245,792</b>	<b>\$ -</b>	<b>\$ 9,373,480</b>	<b>\$ -</b>	<b>\$ 317,768</b>	<b>\$ 9,691,248</b>

See Accompanying Notes to the Financial Statements

**Signal Advance, Inc.**  
**Notes to Consolidated Financial Statements**  
**Nine-Month Periods Ended September 30, 2020**

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 regulatory requirements. 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 to be implemented through subsidiaries.

**PRINCIPLES OF CONSOLIDATION:** The consolidated financial statements include the accounts of the Company and its wholly-owned or controlled operating subsidiaries. All intercompany accounts and transactions have been eliminated.

**RECLASSIFICATIONS:** Certain prior year amounts have been reclassified to conform to the current quarterly presentation. These changes had no impact on previously reported results of operations or shareholders' equity

**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 currently holds no investments that are treated as available-for-sale securities stated at their fair market values. All such investments that would be available for current operations 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. Realized gains and losses are included in 'Other Income (Loss)' in the income statement.

**INVESTMENTS IN A LIMITED LIABILITY COMPANY:** 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).

**RESEARCH AND DEVELOPMENT:** Research and development costs 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. 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 of 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.

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.

During the nine-month period ended September 30, 2020, the Company recognized \$6,347,811 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. 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, Dr. Chris M. Hymel, the Company Founder and CEO, 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:

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

The expenses incurred in acquiring the intellectual property license as well as the domestic and international patent and trademark protection are capitalized (included as "Intellectual Property" under assets on the Balance Sheet for the nine-month period ended September 30, 2020). 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, international associates, patent applications, patent claims and other amendments and responses to office actions.

A Trademark application for the term "ANALOG GUARD" was submitted in April 2020 for an analog encryption product under development. Additional patent submissions related to specific applications, SA circuit configurations, and signal processing techniques as well as cyber-security applications are currently 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 September 30, 2020 is summarized as follows:

Cost / Basis	\$ 194,067
Accumulated depreciation	<u>(134,939)</u>
Total property and equipment, net	\$ 59,128

Depreciation expense during the for the nine-month period ended September 30, 2020 was \$6,824.

#### NOTE D - AVAILABLE FOR SALE SECURITIES

Equity securities that are bought and held principally for the purpose of selling them in the near term are classified as "Available for Sale Securities" and reported at fair value, with unrealized gains and losses included in earnings.

#### 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 is recognized, unless it is deemed likely to be realized.

The provision for refundable federal income tax consists of the following for the year-ending December 31, 2019.

Federal income tax benefit attributed to:	
Net operating income/(loss)	<u>(125,391)</u>
Valuation allowance	<u>125,391</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>1,246,629</u>
Less: change in valuation allowance	<u>(1,246,629)</u>
Net deferred tax asset	<u>-</u>

As of September 30, 2020, the Company had an unused net operating loss carry-forward totaling \$5,936,329 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 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 September 30, 2020, there was no remaining balance payable.

#### 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 totaled to \$6,300 for the nine-month periods ended September 30, 2020 and 2019.

NOTE H – The contingent liability in the amount of \$14,400 derives from a Paycheck Protection Program (PPP) loan through the SBA. The Company anticipates that this loan will be forgiven.

#### NOTE I - 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.

During the nine-month period year ended September 30, 2020, the Company made the following Common Stock Issuances and cancellation:

- 1) 150,000 shares of common stock valued at \$15,000 in cash.
- 2) 75,000,000 shares of common stock were relinquished by Signal Advance Technologies, Inc. and subsequently cancelled per the terms of the merger agreement.
- 3) 21,739,735 shares of common stock valued at \$3,314,269 were issued to former Signal Advance Technologies, Inc. per the share exchange terms of the merger agreement.

Subsequent to September 30, 2020, 18,519 shares of common stock valued at \$5.000 were issued