

# **FULLNET COMMUNICATIONS, INC.**

An Oklahoma Corporation

201 Robert S. Kerr Avenue, Suite 210  
Oklahoma City, OK 73102

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Telephone: (405) 236-8200

[www.fulnet.net](http://www.fulnet.net)

[rbaresel@fullnet.net](mailto:rbaresel@fullnet.net)

Primary SIC code: 4813

## **Annual Report**

**For the period ending: December 31, 2024**  
**(the "Reporting Period")**

### **Outstanding Shares**

The number of shares outstanding of our Common Stock was:

19,623,917 as of December 31, 2024 (Current Reporting Period Date or More Recent Date)

19,565,087 as of December 31, 2023 (Most Recent Completed Fiscal Year End)

### **Shell Status**

Indicate by check mark whether the company is a shell company (as defined in Rule 405 of the Securities Act of 1933, Rule 12b-2 of the Exchange Act of 1934 and Rule 15c2-11 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:

### **Change in Control**

Indicate by check mark whether a Change in Control<sup>4</sup> of the company has occurred during this reporting period:

Yes:  No:

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<sup>4</sup> "Change in Control" shall mean any events resulting in:

(i) Any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) becoming the "beneficial owner" (as defined in Rule 13d-3 of the Exchange Act), directly or indirectly, of securities of the Company representing fifty percent (50%) or more of the total voting power represented by the Company's then outstanding voting securities;

(ii) The consummation of the sale or disposition by the Company of all or substantially all of the Company's assets;

(iii) A change in the composition of the Board occurring within a two (2)-year period, as a result of which fewer than a majority of the directors are directors immediately prior to such change; or

(iv) The consummation of a merger or consolidation of the Company with any other corporation, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or its parent) at least fifty percent (50%) of the total voting power represented by the voting securities of the Company or such surviving entity or its parent outstanding immediately after such merger or consolidation.

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

In answering this item, provide the current name of the issuer and names used by predecessor entities, along with the dates of the name changes.

FullNet Communications, Inc.

Current State and Date of Incorporation or Registration: Oklahoma, December 1, 1995

Standing in this jurisdiction: (e.g. active, default, inactive): Active

Prior Incorporation Information for the issuer and any predecessors during the past five years:

None

Describe any trading suspension or halt orders issued by the SEC or FINRA concerning the issuer or its predecessors since inception:

None

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

None

Address of the issuer's principal executive office:

201 Robert S. Kerr Avenue, Suite 210, Oklahoma City, OK 73102

Address of the issuer's principal place of business:

*Check if principal executive office and principal place of business are the same address:*

\_\_\_\_\_

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

No:  Yes:  If Yes, provide additional details below:

\_\_\_\_\_

**2) Security Information**

**Transfer Agent**

Name: Securities Transfer Corp.

Phone: (469) 633-0101

Email: JStackhouse@stctransfer.com

Address: 2901 N. Dallas Parkway, Suite 380, Plano, TX 75093

**Publicly Quoted or Traded Securities:**

*The goal of this section is to provide a clear understanding of the share information for its publicly quoted or traded equity securities. Use the fields below to provide the information, as applicable, for all outstanding classes of securities that are publicly traded/quoted.*

Trading symbol:	<u>FULO</u>
Exact title and class of securities outstanding:	<u>Common Stock: 40,000,000 authorized</u>
CUSIP:	<u>359851102</u>
Par or stated value:	<u>\$0.00001 per share</u>
Total shares authorized:	<u>40,000,000</u> as of date: <u>12/31/2024</u>
Total shares outstanding:	<u>19,623,917</u> as of date: <u>12/31/2024</u>
Total number of shareholders of record:	<u>130</u> as of date: <u>12/31/2024</u>

*Please provide the above-referenced information for all other publicly quoted or traded securities of the issuer.*

N/A

**Other classes of authorized or outstanding equity securities that do not have a trading symbol:**

*The goal of this section is to provide a clear understanding of the share information for its other classes of authorized or outstanding equity securities (e.g., preferred shares that do not have a trading symbol). Use the fields below to provide the information, as applicable, for all other authorized or outstanding equity securities.*

Exact title and class of the security:	<u>Series A Convertible Preferred Stock</u>
Par or stated value:	<u>\$0.001 per share</u>
Total shares authorized:	<u>10,000,000</u> as of date: <u>12/31/2024</u>
Total shares outstanding:	<u>768,257</u> as of date: <u>12/31/2024</u>
Total number of shareholders of record:	<u>3</u> as of date: <u>12/31/2024</u>

*Please provide the above-referenced information for all other classes of authorized or outstanding equity securities.*

N/A

**Security Description:**

*The goal of this section is to provide a clear understanding of the material rights and privileges of the securities issued by the company. Please provide the below information for each class of the company's equity securities, as applicable:*

**1. For common equity, describe any dividend, voting and preemption rights.**

The Issuer's common stock entitles its holder to one vote per share. The common stock has no dividend, liquidation or similar preferences. The common stock has no preemptive rights or contractual transfer restrictions.

**2. For preferred stock, describe the dividend, voting, conversion, and liquidation rights as well as redemption or sinking fund provisions.**

The holders of shares of the Series A convertible preferred stock (the "Series A Preferred") are entitled to receive, when and as declared by our board of directors, dividends in cash in the amount of eleven cents per share per annum through December 31, 2023, and twelve cents per share per annum thereafter, payable within 90 days following the 31<sup>st</sup> day of December each year on such date as determined by the board of directors. The dividends

are cumulative. Our board of directors may elect to make any required dividend payment with our unregistered common stock in lieu of cash.

The Series A convertible preferred stock was originally issued as non-voting and provided that in the event we failed, for any reason, to make a required dividend payment, then each share of the Series A Preferred shall thereafter be entitled to two votes upon any matter that the holders of our common stock are entitled to vote upon. On March 31, 2014, our board of directors made the determination that it was in our best interest and the best interest of our shareholders to conserve our working capital at that time and not make the annual dividend payment for the year ending December 31, 2013. As a result, each share of the Series A Preferred became thereafter entitled to two votes upon any matter that the holders of our common stock are entitled to vote upon.

The Series A Preferred may be redeemed at the option of our board of directors for one dollar per share plus all accrued and unpaid dividends thereon at the date of redemption. In addition, at any time after a change of our control, the holders of the Series A Preferred shall have the right, at the election of a majority of the holders, to require us to redeem all of the Series A Preferred for one dollar per share plus all accrued and unpaid dividends thereon at the date of redemption.

The Series A Preferred has a liquidation preference of one dollar per share plus all accrued and unpaid dividends thereon in the event of our liquidation, dissolution or winding up.

**3. Describe any other material rights of common or preferred shareholders.**

The common stock entitles its holders to the rights provided by statute, such as the right to vote in the election of directors, in amendments to the certificate of incorporation or bylaws, in mergers and consolidations, and in the issuer's dissolution, and to inspect the issuer's books and records. The common stock does not have material rights beyond those afforded by statute. The rights and preferences of the preferred stock are set forth above.

**4. Describe any material modifications to rights of holders of the company's securities that have occurred over the reporting period covered by this report.**

No material modifications to rights of holders of the company's securities have occurred during the reporting period.

**3) Issuance History**

*The goal of this section is to provide disclosure with respect to each event that resulted in any changes to the total shares outstanding of any class of the issuer's securities **in the past two completed fiscal years and any subsequent interim period.***

Disclosure under this item shall include, in chronological order, all offerings and issuances of securities, including debt convertible into equity securities, whether private or public, and all shares, or any other securities or options to acquire such securities, issued for services. Using the tabular format below, please describe these events.

**A. Changes to the Number of Outstanding Shares for the two most recently completed fiscal years and any subsequent period.**

Indicate by check mark whether there were any changes to the number of outstanding shares within the past two completed fiscal years:

No:  Yes:  (If yes, you must complete the table below)

Shares Outstanding Opening Balance:			*Right-click the rows below and select "Insert" to add rows as needed.						
Date	Common:	Preferred:							
Date <u>1/1/23</u>	Common: <u>19,182,754</u>	Preferred: <u>618,257</u>							
Date of Transaction	Transaction type (e.g., new issuance, cancellation, shares returned to treasury)	Number of Shares Issued (or cancelled)	Class of Securities	Value of shares issued (\$/per share) at Issuance	Were the shares issued at a discount to market price at the time of issuance? (Yes/No)	Individual/ Entity Shares were issued to.  ***You must disclose the control person(s) for any entities listed.	Reason for share issuance (e.g. for cash or debt conversion) - OR- Nature of Services Provided	Restricted or Unrestricted as of this filing.	Exemption or Registration Type.
4/6/23	Issuance	100,000	Common Stock	\$0.010	Yes	Jason C. Ayers	Option Exercise	Restricted	Private
4/6/23	Issuance	100,000	Common Stock	\$0.010	Yes	Judith A. Baresel	Option Exercise	Restricted	Private
4/6/23	Issuance	47,000	Common Stock	\$0.010	Yes	Staff Employees (1)	Option Exercise	Restricted	Private
4/6/23	Issuance	52,000	Common Stock	\$0.040	Yes	Staff Employees (1)	Option Exercise	Restricted	Private
4/6/23	Issuance	83,333	Common Stock	\$0.010	Yes	Timothy J. Kilkenny	Option Exercise	Restricted	Private
1/22/24	Issuance	58,830	Common Stock	\$0.010	Yes	Staff Employees (1)	Option Exercise	Restricted	Private
12/23/24	Issuance	150,000	Series A Convertible Preferred Stock	\$1.000	No	Judith A. Baresel	Debt Conversion	Restricted	Private
Shares Outstanding on Date of This Report:									
Date	Common:	Preferred:							
Date <u>12/31/24</u>	Common: <u>19,623,917</u>	Preferred: <u>768,257</u>							

**Example:** A company with a fiscal year end of December 31<sup>st</sup> 2024, in addressing this item for its Annual Report, would include any events that resulted in changes to any class of its outstanding shares from the period beginning on January 1, 2023 through December 31, 2024 pursuant to the tabular format above.

Any additional material details, including footnotes to the table are below:

Footnote (1) – Issued pursuant to employee compensation arrangements and none of the Staff Employees are officers, directors, control persons and/or a relative thereof.

**B. Convertible Debt**

The following is a complete list of the Company’s Convertible Debt which includes all promissory notes, convertible notes, convertible debentures, or any other debt instruments convertible into a class of the issuer’s equity securities. The table includes all issued or outstanding convertible debt at any time during the last complete fiscal year and any interim period between the last fiscal year end and the date of this Certification.

Check this box to confirm the Company had no Convertible Debt issued or outstanding at any point during this period.

Date of Note Issuance	Principal Amount at Issuance (\$)	Outstanding Balance (\$)  (include accrued interest)	Maturity Date	Conversion Terms (e.g., pricing mechanism for determining conversion of instrument to shares)	# Shares Converted to Date	# of Potential Shares to be Issued Upon Conversion <sup>5</sup>	Name of Noteholder (entities must have individual with voting / investment control disclosed).	Reason for Issuance (e.g., Loan, Services, etc.)
<b>Total Outstanding Balance:</b>				<b>Total Shares:</b>				

Any additional material details, including footnotes to the table are below:

None

**4) Issuer’s Business, Products and Services**

The purpose of this section is to provide a clear description of the issuer’s current operations. Ensure that these descriptions are updated on the Company’s Profile on [www.OTCMarkets.com](http://www.OTCMarkets.com).

A. Summarize the issuer’s business operations (If the issuer does not have current operations, state “no operations”)

We are an integrated communications provider. Through our subsidiaries, we have historically provided high quality, reliable and scalable Internet access, web hosting, local telephone service, equipment colocation, customized live help desk outsourcing services, mass notification services using text messages and automated telephone calls, as well as advanced voice and data solutions. The majority of our focus going forward is on our revenue and customers coming from three primary types of service: 1) Mass notification services using text messages and automated telephone calls, 2) Equipment colocation and related services, and 3) Customized live help desk outsourcing service.

B. List any subsidiaries, parent company, or affiliated companies.

References to us in this Report include our subsidiaries: FullNet, Inc. (“FullNet”), FullTel, Inc. (“FullTel”), FullWeb, Inc. (“FullWeb”), and CallMultiplier, Inc. (“CallMultiplier”).

<sup>5</sup> The total number of shares that can be issued upon full conversion of the Outstanding Balance. The number should not factor any “blockers” or limitations on the percentage of outstanding shares that can be owned by the Noteholder at a particular time. For purposes of this calculation, please use the current market pricing (e.g. most recent closing price, bid, etc.) of the security if conversion is based on a variable market rate.

C. Describe the issuers' principal products or services.

We are an integrated communications provider primarily focused on providing mass notification services using text messages and automated telephone calls, equipment colocation and related services, and customized live help desk outsourcing service. Our products and services are more fully described in our Form 10-K Annual Report for the year ended December 31, 2023, which was posted through the OTC Markets Disclosure & News Service on June 6, 2024.

**5) Issuer's Facilities**

*The goal of this section is to provide investors with a clear understanding of all assets, properties or facilities owned, used or leased by the issuer and the extent in which the facilities are utilized.*

In responding to this item, please clearly describe the assets, properties or facilities of the issuer. Describe the location of office space, data centers, principal plants, and other property of the issuer and describe the condition of the properties. Specify if the assets, properties, or facilities are owned or leased and the terms of their leases. If the issuer does not have complete ownership or control of the property, describe the limitations on the ownership.

We maintain our executive office and data center in approximately 4,900 square feet at 201 Robert S. Kerr Avenue, Suite 210 in Oklahoma City, pursuant to leases that expire on December 31, 2027 and 2029, respectively.

**6) All Officers, Directors, and Control Persons of the Company**

Using the table below, please provide information, as of the period end date of this report, regarding all officers and directors of the company, or any person that performs a similar function, regardless of the number of shares they own.

In addition, list all individuals or entities controlling 5% or more of any class of the issuer's securities. If any insiders listed are corporate shareholders or entities, provide the name and address of the person(s) beneficially owning or controlling such corporate shareholders, or the name and contact information (City, State) of an individual representing the corporation or entity. Include Company Insiders who own any outstanding units or shares of any class of any equity security of the issuer.

*The goal of this section is to provide investors with a clear understanding of the identity of all the persons or entities that are involved in managing, controlling or advising the operations, business development and disclosure of the issuer, as well as the identity of any significant or beneficial owners.*

Names of All Officers, Directors, and Control Persons	Affiliation with Company (e.g. Officer Title /Director/Owner of 5% or more)	Residential Address (City / State Only)	Number of shares owned	Share type/class	Ownership Percentage of Class Outstanding	Names of control person(s) if a corporate entity
Timothy J. Kilkenny	Chairperson	Blanchard, OK	4,254,917 (1)	Common Stock	21.5%	N/A
Roger P. Baresel	Officer	Oklahoma City, OK	5,600 (2)	Common Stock	0.0%	N/A
Jason C. Ayers	Officer	Yukon, OK	3,143,424 (3)	Common Stock	16.0%	N/A
Judith A. Baresel	Shareholder	Oklahoma City, OK	3,874,162 (4)	Common Stock	19.4%	N/A

- (1) Includes 315,000 shares of common stock owned by spouse and 240,628 shares of convertible preferred stock (one share of common stock for one share of preferred stock upon conversion).
- (2) Excludes 3,874,162 shares held by Judith A. Baresel, the spouse of Roger P. Baresel, for which he disclaims any beneficial ownership.
- (3) Includes 77,629 shares of convertible preferred stock (one share of common stock for one share of preferred stock upon conversion).
- (4) Includes 450,000 shares of convertible preferred stock (one share of common stock for one share of preferred stock upon conversion). Excludes 5,600 shares of common stock owned by Roger P. Baresel, the spouse of Judith A. Baresel, for which she disclaims any beneficial ownership.

Confirm that the information in this table matches your public company profile on [www.OTCMarkets.com](http://www.OTCMarkets.com). If any updates are needed to your public company profile, log in to [www.OTCIQ.com](http://www.OTCIQ.com) to update your company profile.

## 7) Legal/Disciplinary History

- A. Identify and provide a brief explanation as to whether any of the persons or entities listed above in Section 6 have, in the past 10 years:
1. Been the subject of an indictment or conviction in a criminal proceeding or plea agreement or named as a defendant in a pending criminal proceeding (excluding minor traffic violations);  
N/A – None.
  2. Been the subject of 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, financial- or investment-related, insurance or banking activities;  
N/A – None.
  3. Been the subject of a finding, disciplinary order or judgment by a court of competent jurisdiction (in a civil action), the Securities and Exchange Commission, the Commodity Futures Trading Commission, a state securities regulator of a violation of federal or state securities or commodities law, or a foreign regulatory body or court, which finding or judgment has not been reversed, suspended, or vacated;  
N/A – None.
  4. Named as a defendant or a respondent in a regulatory complaint or proceeding that could result in a "yes" answer to part 3 above; or  
N/A – None.
  5. Been the subject 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.  
N/A – None.
  6. Been the subject of a U.S Postal Service false representation order, or a temporary restraining order, or preliminary injunction with respect to conduct alleged to have violated the false representation statute that applies to U.S mail.  
N/A – None.

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 to 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 – None.

### 8) Third Party Service Providers

Provide the name, address, telephone number and email address of each of the following outside providers. You may add additional space as needed.

Confirm that the information in this table matches your public company profile on [www.OTCMarkets.com](http://www.OTCMarkets.com). If any updates are needed to your public company profile, update your company profile.

#### Securities Counsel

Name: Gary Derrick  
Firm: Derrick & Briggs, LLP  
Address 1: BancFirst Tower, Ste. 2700  
Address 2: 101 N. Broadway Ave.  
Oklahoma City, OK 73102  
Phone: (405) 235-1900  
Email: [derrick@derrickandbriggs.com](mailto:derrick@derrickandbriggs.com)

#### Accountant or Auditor

Name: \_\_\_\_\_  
Firm: \_\_\_\_\_  
Address 1: \_\_\_\_\_  
Address 2: \_\_\_\_\_  
Phone: \_\_\_\_\_  
Email: \_\_\_\_\_

#### Investor Relations

Name: \_\_\_\_\_  
Firm: \_\_\_\_\_  
Address 1: \_\_\_\_\_  
Address 2: \_\_\_\_\_  
Phone: \_\_\_\_\_  
Email: \_\_\_\_\_

#### *All other means of Investor Communication:*

X (Twitter): \_\_\_\_\_  
Discord: \_\_\_\_\_  
LinkedIn: \_\_\_\_\_  
Facebook: \_\_\_\_\_  
[Other ]: \_\_\_\_\_

Other Service Providers

Provide the name of any other service provider(s) that **that assisted, advised, prepared, or provided information with respect to this disclosure statement**. This includes counsel, broker-dealer(s), advisor(s), consultant(s) or any entity/individual that provided assistance or services to the issuer during the reporting period.

Name: \_\_\_\_\_  
Firm: \_\_\_\_\_  
Nature of Services: \_\_\_\_\_  
Address 1: \_\_\_\_\_  
Address 2: \_\_\_\_\_  
Phone: \_\_\_\_\_  
Email: \_\_\_\_\_

**9) Disclosure & Financial Information**

A. This Disclosure Statement was prepared by (name of individual):

Name: **Carolyn Jones**  
Title: **Controller**  
Relationship to Issuer: **Employee**

B. The following financial statements were prepared in accordance with:

- IFRS
- U.S. GAAP

C. The following financial statements were prepared by (name of individual):

Name: **Roger P. Baresel**  
Title: **CEO & CFO**  
Relationship to Issuer: **Employee**

Describe the qualifications of the person or persons who prepared the financial statements:<sup>6</sup>

Mr. Baresel is a certified public accountant and an experienced senior executive who has served at a variety of public and private companies in a number of different industries. His experience includes employment as a CEO, COO, CFO, president, principal accounting officer, controller and certified public accountant. Throughout his career, he has been intimately involved with the preparation, auditing and evaluation of financial statements.

Provide the following qualifying financial statements:

- Audit letter, if audited;
- Balance Sheet;
- Statement of Income;
- Statement of Cash Flows;
- Statement of Retained Earnings (Statement of Changes in Shareholders' Equity); and
- Financial Notes

## **Financial Statement Requirements:**

- Financial statements must be published together with this disclosure statement as one document.
- Financial statements must be “machine readable”. Do not publish images/scans of financial statements.
- Financial statements must be presented with comparative financials against the prior FYE or period, as applicable.
- Financial statements must be prepared in accordance with U.S. GAAP or International Financial Reporting Standards (IFRS) but are not required to be audited.

<sup>6</sup> The financial statements requested pursuant to this item must be prepared in accordance with US GAAP or IFRS and by persons with sufficient financial skills.

## **10) Issuer Certification**

### *Principal Executive Officer:*

The issuer shall include certifications by the chief executive officer and chief financial officer of the issuer (or any other persons with different titles but having the same responsibilities) in each Quarterly Report or Annual Report.

The certifications shall follow the format below:

I, Jason C. Ayers certify that:

1. I have reviewed this Disclosure Statement for FullNet Communications, 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.

March 18, 2025 [Date]

/s/ Jason C. Ayers [President’s Signature]

(Digital Signatures should appear as “/s/ [OFFICER NAME]”)

### *Principal Financial Officer:*

I, Roger P. Baresel certify that:

1. I have reviewed this Disclosure Statement for FullNet Communications, 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.

March 18, 2025 [Date]

/s/ Roger P. Baresel [CFO’s Signature]

(Digital Signatures should appear as “/s/ [OFFICER NAME]”)

# **FullNet Communications, Inc.**

## **2024 Annual Report**

## **Disclosure Regarding Forward-Looking Statements and Cautionary Statements**

Certain forward-looking statements contained in this Report regarding our business and prospects are based upon numerous assumptions about future conditions which may ultimately prove to be inaccurate and actual events and results may materially differ from anticipated results described in such statements. These statements can sometimes be identified by our use of forward-looking words such as “may”, “believe”, “plan”, “will”, “anticipate”, “estimate”, “expect”, “intend”, and other phrases of similar meaning. Our ability to achieve these results is subject to certain risks and uncertainties, including those inherent risks and uncertainties generally in the Internet service provider and group message delivery industries, the impact of competition and pricing, changing market conditions, and other risks. Any forward-looking statements contained in this Report represent our judgment as of the date of this Report. We disclaim, however, any intent or obligation to update these forward-looking statements. As a result, the reader is cautioned not to place undue reliance on these forward-looking statements.

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## BUSINESS AND PROPERTIES

### General

We are an integrated communications provider. Through our subsidiaries, we have historically provided high quality, reliable and scalable Internet access, web hosting, local telephone service, equipment colocation, customized live help desk outsourcing services, mass notification services using text messages and automated telephone calls, as well as advanced voice and data solutions. As explained below, the majority of our focus going forward is on our revenue and customers coming from three primary types of service: 1) Mass notification services using text messages and automated telephone calls, 2) Equipment colocation and related services, and 3) Customized live help desk outsourcing service.

References to us in this Report include our subsidiaries: FullNet, Inc. (“FullNet”), FullTel, Inc. (“FullTel”), FullWeb, Inc. (“FullWeb”), and CallMultiplier, Inc. (“CallMultiplier”). Our principal executive offices are located at 201 Robert S. Kerr Avenue, Suite 210, Oklahoma City, Oklahoma 73102, and our telephone number is (405) 236-8200. We also maintain Internet sites on the World Wide Web (“WWW”) at [www.fullnet.net](http://www.fullnet.net) and [www.callmultiplier.com](http://www.callmultiplier.com). Information contained on our Website is not, and should not be deemed to be, a part of this Report.

### Company History

We were founded in 1995 as CEN-COM of Oklahoma, Inc., an Oklahoma corporation, to bring dial-up Internet access and education to rural locations in Oklahoma that did not have dial-up Internet access. We changed our name to FullNet Communications, Inc. in December 1995. Through a wholly-owned subsidiary, we started a competitive local exchange carrier (“CLEC”) in 2003 and later exited the retail telephone service business in early 2018. In response to the rapidly evolving Internet based telecommunications services environment, we have continued to expand and improve our service offerings.

Today we are an integrated communications provider primarily focused on providing mass notification services using text messages and automated telephone calls, equipment colocation and related services, and customized live help desk outsourcing service.

Through CallMultiplier, Inc., our wholly owned subsidiary, we offer a comprehensive cloud-based solution to consumers and businesses for automated mass texting and voice message delivery. We serve groups throughout the United States and Canada that come from a wide range of industries including religious groups, non-profit companies, schools and universities, businesses, sports groups, staffing companies, property management groups, government entities, and more. These customers use CallMultiplier to quickly send important and informational messages to groups ranging in size from five to more than 250,000 people. We exclusively focus on messages that recipients have asked for or otherwise desire to receive. Sending unsolicited marketing or any unlawful messages through CallMultiplier is a violation of our Terms of Service.

We market our carrier neutral colocation solutions in our data center to competitive local exchange carriers, Internet service providers and businesses that need a physical presence in the Oklahoma City market. Our colocation facility is carrier neutral, allowing customers to choose among competitive offerings rather than being restricted to one carrier. Our data center is telco-grade and provides customers a high level of operative reliability and security. We offer flexible space arrangements for customers and 24-hour onsite support with both battery and generator backup.

Our customized live help desk outsourcing service is used by companies that want the benefit of having someone answer the telephone and respond to email 24 hours a day, without wanting to incur the costs to maintain the necessary staff to do so themselves. This service complements our existing staff and leverages the resources we have in place 24 hours a day.

Our common stock trades on the OTC Markets Group “Pink Sheets” under the symbol FULO. While our common stock trades on the OTC Markets Group “Pink Sheets”, it is very thinly traded, and there can be no assurance that our shareholders will be able to sell their shares should they so desire. Any market for our common stock that may develop, in all likelihood, will be a limited one, and if such a market does develop, the market price may be volatile.

## **Our Business Strategy**

As an integrated communications provider, we intend to increase shareholder value by continuing to build scale through both internal growth and acquisitions and then leveraging increased revenues over our fixed-costs base. Our strategy is to meet the customer service requirements of retail, business, educational and government advanced voice and data solutions users in our target markets, while benefiting from the scale advantages of our existing infrastructure. The key elements of our overall strategy with respect to our principal business operations are described below.

### **Generate Internal Sales Growth**

We intend to expand our customer base by increasing our marketing efforts. At December 31, 2024, our sales efforts are carried out primarily by our technical engineers and senior management. The majority of our existing advertising efforts consist of Pay-Per-Click (PPC) advertisements on multiple Internet search engines. We also have a robust Referral Rewards Program that encourages word-of-mouth referrals to our service.

### **Target Strategic Acquisitions**

The goal of our acquisition strategy is to accelerate market penetration by acquiring competitors in the advanced voice and data solutions market. Our acquisition strategy is designed to leverage our existing infrastructure and internal operations to enable us to enter new markets, as well as to expand our presence in existing markets, and to benefit from economies of scale. We evaluate acquisition candidates based on their compatibility with our overall business plan. When assessing an acquisition candidate, we focus on the following criteria:

- Potential revenue and customer growth;
- Low customer turnover or churn rates;
- Favorable competitive environment; and
- Favorable consolidation savings.

### **Advanced Voice and Data Solutions**

Our primary advanced voice and data solution is marketed under our CallMultiplier brand name. CallMultiplier is a comprehensive cloud-based solution to consumers and businesses for mass notification services using text messages and automated telephone calls. CallMultiplier streamlines and automates delivery of time sensitive voice and text messages to groups. Our customers include sports teams, businesses, religious groups, schools, staffing companies, government entities, property management groups, non-profit companies, clubs and civic groups throughout the United States and Canada.

### **Internet Access Services**

We provide Internet access services to individual and small business customers located in Oklahoma on a retail basis. Under the FullNet brand, we provide our customers with Internet connectivity as well as direct access to a wide range of Internet applications and resources, including electronic mail. Through natural atrophy as customers move to other broadband solutions, this business line has become immaterial and will not be a focus for us going forward.

### **Properties**

We maintain our executive offices and data center in approximately 4,900 square feet at 201 Robert S. Kerr Avenue, Suite 210 in Oklahoma City. These premises are occupied pursuant to leases that expire on December 31, 2027 for the executive offices and December 31, 2029 for the data center.

### **Competition**

The market for Internet-based services is extremely competitive. The tremendous growth and potential market size of the mass messaging market has attracted many new start-ups as well as existing businesses from a variety of industries. We believe extensive easy-to-use features, a reliable network, knowledgeable salespeople and the quality of technical support currently are the primary competitive factors in our targeted market and that price is usually secondary to these factors.

## **Mass Notification Service Providers**

The market for mass text and voice message delivery service solutions is highly fragmented, intensely competitive and constantly evolving. We compete with a wide array of established and emerging companies. Notable competitors include Twilio, Inc., Everbridge, Inc., OnSolve, LLC, Call-Em-All, Inc., Callfire, Inc., OnTimeTelecom, Inc., and EZ Texting.

We believe that our ability to attract customers and to market value-added services is a key to our future success and profitability. However, there can be no assurance that our competitors will not introduce comparable services or products at similar or more attractive prices in the future or that we will not be required to reduce our prices to match competition. We want to emphasize that most, if not all, of our competitors have significantly greater market presence, brand recognition, financial, technical and personnel resources than we do.

There can be no assurance that we will be able to offset the effects of any such competition or resulting price reductions. Increased competition could result in erosion of our market share and could have a material adverse effect on our business, financial condition and results of operations.

## **Legal Proceedings**

We are not a party to any material legal proceedings.

## **Employees**

As of December 31, 2024, we had 15 employees employed in engineering, sales, marketing, customer support and related activities, and general and administrative functions. None of our employees are represented by a labor union, and we consider our relations with our employees to be good. We also engage consultants from time to time with respect to various aspects of our business.

## **RISK FACTORS**

### ***Risks Relating to Historical Losses: Turn-around Uncertain***

We have historically experienced significant operating losses with cumulative losses from inception of approximately \$8.3 million. However, we have been consistently profitable since 2018, and have reached a positive working capital position of approximately \$1,189,000 at December 31, 2024, of which approximately \$124,000 of our current liabilities is owed to our officers and directors, and approximately \$1,153,000 of our current liabilities is deferred revenue. Our officers and directors, who are also major shareholders, have informally agreed not to seek payment of any of the amounts owed to them if such payment would jeopardize our ability to continue as a going concern. The deferred revenue represents advance payments for services from our customers which will be satisfied by our delivery of services in the normal course of business and will not require settlement in cash.

We generated positive cash flow from our operating activities of approximately \$685,000 and \$690,000, for the twelve months ended December 31, 2024 and 2023, respectively. In addition, we were able to generate net income of approximately \$549,000 and \$532,000, for the twelve months ended December 31, 2024 and 2023, respectively.

As a result of revenue enhancement initiatives, cost saving initiatives, excess asset sales and the successful exit from the CLEC business, we have been able to significantly improve our working capital position and alleviate any substantial doubt about our ability to continue as a going concern. We believe that the actions discussed above mitigate the substantial doubt raised by our prior operating losses and satisfy our estimated liquidity needs 12 months from the issuance of the financial statements. However, we cannot predict, with certainty, the outcome of our actions to remain profitable and generate additional liquidity, including the availability of additional debt financing, or whether such actions would generate the expected liquidity as currently planned. Additionally, a failure to generate additional liquidity could negatively impact our ability to effectively execute our business plan.

### ***Limited Marketing Experience***

We have limited experience in developing and commercializing new services based on innovative technologies, and there is limited information available concerning the potential performance of our hardware or market acceptance of our proposed services. There can be no assurance that unanticipated expenses, problems or technical difficulties will not occur which would result in material delays in product commercialization or that our efforts will result in successful product commercialization. Consequently, our limited marketing experience could have a material adverse effect on our business prospects, financial condition and results of operation.

### ***Uncertainty of Products/Services Development***

Although considerable time and financial resources were expended in the development of our services and products, there can be absolutely no assurance that problems will not develop which would have a material adverse effect on us. We will be required to commit considerable time, effort and resources to finalize our product/service development and adapt our products and services to satisfy specific requirements of potential customers. Continued system refinement, enhancement and development efforts are subject to all of the risks inherent in the development of new products/services and technologies, including unanticipated delays, expenses, technical problems or difficulties, as well as the possible insufficiency of funds to satisfactorily complete development, which could result in abandonment or substantial change in commercialization. There can be no assurance that development efforts will be successfully completed on a timely basis, or at all, that we will be able to successfully adapt our hardware or software to satisfy specific requirements of potential customers, or that unanticipated events will not occur which would result in increased costs or material delays in development or commercialization. In addition, the complex technologies planned to be incorporated into our products and services may contain errors that become apparent subsequent to commencement of commercial use. Remedying these errors could delay our plans and cause us to incur substantial additional costs. Consequently, the uncertainty of our products/services development could have a material adverse effect on our business prospects, financial condition and results of operation.

### ***Competition; Technological Obsolescence***

The markets for our products and services are characterized by intense competition and an increasing number of potential new market entrants who have developed or are developing potentially competitive products and services. We will face competition from numerous sources, certain of which have substantially greater financial, technical, marketing, distribution, personnel and other resources than us, permitting such companies to implement extensive marketing campaigns, both generally and in response to efforts by additional competitors to enter into new markets and market new products and services. In addition, our product and service markets are characterized by rapidly changing technology and evolving industry standards that could result in product obsolescence and short product life cycles. Accordingly, our ability to compete will be dependent upon our ability to complete the development of our products and to introduce our products and/or services into the marketplace in a timely manner, to continually enhance and improve our software and to successfully develop and market new products. There is no assurance that we will be able to compete successfully, that competitors will not develop technologies or products that render our products and/or services obsolete or less marketable or that we will be able to successfully enhance our products or develop new products and/or services. Consequently, our failure to successfully respond to the demands of competition and technological obsolescence could have a material adverse effect on our business prospects, financial condition and results of operation.

### ***Risks Relating to the Internet***

Businesses reliant on the Internet may be at risk due to the inadequate development of the necessary infrastructure, including reliable network backbones or complementary services, high-speed modems and security procedures. The Internet has experienced, and is expected to continue to experience, significant growth in the number of users and amount of traffic. There can be no assurance that the Internet infrastructure will continue to be able to support the demands placed on it by sustained growth. In addition, there may be delays in the development and adoption of new standards and protocols, the inability to handle increased levels of Internet activity or due to increased government regulation. If the necessary Internet

infrastructure or complementary services are not developed to effectively support growth that may occur, our business, results of operations and financial condition would be materially adversely affected.

### ***Cybersecurity breaches or a failure in our mass notification service operations could disrupt our business***

We rely upon information technology systems and network products and the secure operation of these systems and products. Despite security measures, these systems and products may be vulnerable to physical damage, hackers, computer viruses, or breaches due to error or malfeasance by employees, vendors, or customers. Our customers interact with us and make purchases through our website. As a result, we are vulnerable to additional risks and uncertainties associated with cyber sales, including rapid changes in technology, website downtime and other technical failures, security breaches, cyber-attacks, consumer privacy concerns, changes in state tax regimes and government regulation of internet activities. Our failure to successfully respond to these risks and uncertainties could reduce our mass notification service sales and increase our costs, which could negatively impact our results of operations.

### ***Risks Relating to Adverse Changes in the Economy***

Our business may be affected by adverse changes in the economy generally, including any resulting effect on spending by our customers. While some of our customers may consider our services to be a cost-effective alternative, others may turn to our competitors during an economic downturn. During an economic downturn, we may experience such a reduction in demand and loss of customers, especially in the event of a prolonged recessionary period.

### ***Risks Relating to Government Regulation***

Our business is subject to a number of Federal and state laws and regulations. These laws and regulations may involve privacy, data protection, intellectual property, competition, consumer protection, corporate governance or other subjects. Many of the laws and regulations to which we are subject are still evolving and being tested in courts and could be interpreted in ways that could harm our business. In addition, the applications and interpretation of these laws and regulations often are uncertain, particularly in the rapidly evolving automated mass notification industry in which we operate. Future legislative or regulatory actions could adversely affect our business, results of operations and financial condition.

For example, the Telephone Consumer Protection Act of 1991, or TCPA, restricts telemarketing and the use of automated text and/or voice messages without proper consent and limits the use of automatic dialing systems, artificial or prerecorded voice messages, SMS text messages and fax machines. The scope and interpretation of the laws that are or may be applicable to the automated delivery of voice and text messages are continuously evolving and developing. If we do not comply with these laws or regulations or if we become liable under these laws or regulations due to the failure of our customers to comply with these laws by obtaining proper consent, we could face direct liability.

We face a risk of litigation resulting from customer misuse of our mass notification services, in violation of our published Terms of Service, to send unauthorized text and/or voice messages in violation of Federal and state laws and/or regulations. The actual or perceived improper sending of automated text and/or voice messages may subject us to potential risks, including liabilities or claims relating to consumer protection laws. This has resulted in civil claims against some of our former customers and requests for information through third-party subpoenas. The scope and interpretation of the laws that are or may be applicable to the delivery of automated text and voice messages are continuously evolving and developing. If we do not comply with these laws or regulations or if we become liable under these laws or regulations due to the failure of our customers to comply with these laws by obtaining proper consent, we could face direct liability.

In addition, Congress and the Federal Communications Commission are attempting to mitigate the scourge of robocalls by requiring participation in new technical standards including the Signature-based Handling of Asserted Information Using toKENs (“SHAKEN”) and Secure Telephone Identity Revisited (“STIR”) standards (together, “STIR/SHAKEN”) and other robocalling prevention and anti-spam standards. The implementation of these standards could increase our costs or limit our ability to grow. If we do not comply with any current or future rules or regulations that apply to our business, we could be subject to substantial fines and penalties, and we may have to restructure our offerings, exit certain markets or raise the

price of our products. In addition, any uncertainty regarding whether particular regulations apply to our business, and how they apply, could increase our costs or limit our ability to grow.

Noncompliance with applicable regulations or requirements could subject us to investigations, sanctions, enforcement actions, disgorgement of profits, fines, damages, civil and criminal penalties, injunctions or other collateral consequences. If any governmental sanctions are imposed, or if we do not prevail in any possible civil or criminal litigation, our business, results of operations, and financial condition could be materially adversely affected. In addition, responding to any action will likely result in a significant diversion of management's attention and resources and an increase in professional fees. Enforcement actions and sanctions could harm our business, reputation, results of operations and financial condition.

### ***Risks Relating to rapidly changing technology, evolving industry standards, and changing regulations***

The market for mass notification services using text messages and automated telephone calls is subject to rapid technological change, evolving industry standards, changing regulations, as well as changing customer needs, requirements and preferences. Our success will depend, to a significant degree, on our ability to adapt and respond effectively to these changes on a timely basis. If we are unable to develop new products that satisfy our customers and provide enhancements and new features for our existing products that keep pace with rapid technological and industry change, including but not limited to STIR/SHAKEN, our business, results of operations and financial condition could be adversely affected. If new technologies emerge that are able to deliver competitive products and services at lower prices, more efficiently, more conveniently or more securely, such technologies could adversely impact our ability to compete effectively.

Our mass notification services must integrate with a variety of network, hardware, mobile and software platforms and technologies, and we need to continuously modify and enhance it to adapt to changes and innovation in these technologies. For example, Apple, Google and other cell-phone operating system providers or inbox service providers have developed and, may in the future develop, new applications or functions intended to filter spam and unwanted telephone calls, text messages or emails. Similarly, our network service providers may adopt new filtering technologies in an effort to combat spam or robocalling. Such technologies may inadvertently filter desired text messages or telephone calls to or from our customers. If cell-phone operating system providers, network service providers, our customers or their end users adopt new software platforms or infrastructure, we may be required to develop new versions of our solution to work with those new platforms or infrastructure. This development effort may require significant resources, which would adversely affect our business, results of operations and financial condition. Any failure of our solution to operate effectively with evolving or new platforms and technologies could reduce the demand for our solution. If we are unable to respond to these changes in a cost-effective manner, our solution may become less marketable and less competitive or obsolete, and our business, results of operations and financial condition could be adversely affected.

### ***Dependence on Key Personnel***

Our success depends in large part upon the continued successful performance of our current executive officers and key employees, Timothy J. Kilkenny, Roger P. Baresel and Jason C. Ayers, for our continued research, development, marketing and operation. Although we have employed, and will employ in the future, additional qualified employees as well as retaining consultants having significant experience, if Messrs. Kilkenny, Baresel or Ayers fail to perform any of their duties for any reason whatsoever, our ability to market, operate and support our products/services will be adversely affected. While we are located in areas where the available pool of people is substantial, there is also significant competition for qualified personnel. Consequently, our dependence on these key personnel could have a material adverse effect on our business prospects, financial condition and results of operation.

### ***Limited Public Market***

During February 2000, our common stock began trading on the OTC Bulletin Board under the symbol FULO. While our common stock currently trades on the OTC Markets Group "Pink Sheets", there can be no assurance that our shareholders will be able to sell their shares should they so desire. Any market for our common stock that may develop, in all likelihood, will be a limited one, and if such a market does develop, the market price may be volatile. Consequently, the

limited public market for our common stock could have a material adverse effect on our business prospects, financial condition and results of operation.

### ***Public Company Regulation***

As a public company, we are subject to the reporting requirements of the [OTC Markets Group](#) and other applicable securities rules and regulations. Complying with these rules and regulations has increased and will increase our legal and financial compliance costs, make some activities more difficult, time-consuming, or costly, and increase demand on our systems and resources. In addition, changing laws, regulations, and standards relating to corporate governance and public disclosure are creating uncertainty for public companies, increasing legal and financial compliance costs, and making some activities more time-consuming.

### ***Penny Stock Regulation***

Broker-dealer practices in connection with transactions in “penny stocks” are regulated by certain penny stock rules adopted by the SEC. Penny stocks generally are equity securities with a price of less than \$5.00 that are generally quoted over-the-counter, such as on the [OTC Bulletin Board](#) (which is a facility of FINRA) or [OTC Link LLC \(which is a facility of the OTC Markets Group\)](#). The penny stock rules require a broker-dealer, prior to a transaction in a penny stock not otherwise exempt from the rules, to deliver a standardized risk disclosure document that provides information about penny stocks and the nature and level of risks in the penny stock market. The broker-dealer also must provide the customer with current bid and offer quotations for the penny stock, the compensation of the broker-dealer and its salesperson in the transaction, and if the broker-dealer is the sole market-maker, the broker-dealer must disclose this fact and the broker-dealer’s presumed control over the market, and monthly account statements showing the market value of each penny stock held in the customer’s account. In addition, broker-dealers who sell these securities to persons other than established customers and accredited investors (generally, those persons with net assets, excluding their primary residence, in excess of \$1,000,000 or annual income exceeding \$200,000 or \$300,000 together with their spouse), must make a special written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser’s written agreement to the transaction. Consequently, these requirements may have the effect of reducing the level of trading activity, if any, in the secondary market for a security that is or becomes subject to the penny stock rules. Our common stock is subject to the penny stock rules at the present time, and consequently our shareholders will find it more difficult to sell their shares. Consequently, the Penny Stock regulations could have a material adverse effect on our business prospects, financial condition and results of operation.

### ***Risks Relating to Cybersecurity***

#### **Risk Management and Strategy**

Risks from Cybersecurity Threats. Information relating to risks from cybersecurity threats is included in this report in Item 1A under the caption “*Cybersecurity breaches or a failure in our mass notification service operations could disrupt our business.*”

We manage and oversee a cybersecurity risk program designed to evaluate potential threats, vulnerabilities, and the potential impact on our operations, data, and shareholders. This program undergoes regular reviews and updates to address emerging risks.

We utilize a three-step process to effectively manage cybersecurity risks.

**Identify.** We establish an understanding of our critical operational assets and those that could be attractive to potential threat actors. We consider any cyber activity that could diminish an asset’s value, hinder our ability to use or access the asset, or covertly allow a threat actor to gain access to an asset as a potential risk.

**Assess.** We evaluate the exposure of our assets to identified cyber risks and the potential impacts on our operations or reputation if we were unable to access or utilize an asset or realize its value, or if a threat actor gained access to an asset or its value. We also assess the potential materiality of these risks based on their potential impact on our operations or reputation.

**Manage.** We apply a multi-layered defense strategy to maintain our ability to access or utilize an asset or its value and prevent threat actors from gaining or increasing their access to an asset or its value. We prioritize our defensive mechanisms, including administrative, procedural, and technical controls, based on their cost-effectiveness and their ability to reduce risk.

We maintain policies and procedures to oversee and identify cybersecurity risks associated with our third-party service providers, especially those with access to customer and employee data. Our selection and oversight of these providers incorporate cybersecurity considerations, including contractual and other mechanisms to mitigate and continually monitor risks.

We undertake proactive activities to prevent, detect, and minimize the impact of cybersecurity incidents. We maintain an incident response plan to respond to breaches and minimize disruption to our operations swiftly. To bolster the incident response process, we have business continuity, contingency, and recovery plans to ensure operational resilience during a cybersecurity incident.

Cybersecurity threats and risks have not materially affected, or are not reasonably likely to materially affect, our business strategy, results of operations, or financial condition. We have not, as of the date of this filing, experienced a cybersecurity breach that has materially affected our business or financial condition. However, because our business involves the collection, transmission, and storage of certain customer and employee data, it is possible that we could be susceptible to various cybersecurity threats, including cyberattacks, unauthorized access, and similar events.

We are committed to the ongoing identification and management of cybersecurity risks as part of our business strategy, financial planning, and capital allocations. We strive to incorporate cybersecurity considerations into all aspects of our operations. As the cybersecurity landscape evolves, so does our strategy to identify and mitigate these risks. We continuously work towards enhancing our processes to ensure an effective cybersecurity posture.

### **Board of Directors and Management Governance**

*Board of Directors Oversight.* We recognize the critical importance of cybersecurity and data protection and understand the potential harm to our business from cybersecurity incidents. Accordingly, we place a high priority on mitigating risks associated with cybersecurity threats and any cybersecurity incidents.

Our management maintains primary responsibility for our risk management, including cybersecurity risks. Our Board of Directors is responsible for the oversight of risks associated with cybersecurity threats. Our Board of Directors is responsible for reviewing management's assessment of our information technology process framework and practices and the controls implemented to monitor and mitigate information technology risks. In addition, as part of our Board of Directors' regular meetings, the Board receives reports and briefings from our cybersecurity team. Those reports and briefings include management's review of emerging cybersecurity developments and threats, our risk relating to cybersecurity, and our strategy to mitigate data protection and cybersecurity risk. Our Board of Directors has the authority to obtain advice and input from external cybersecurity resources to assist in its oversight functions.

*Management's Role.* Our management team is actively engaged in assessing and managing material risks from cybersecurity threats. We have established a robust framework for identifying, evaluating, and mitigating these risks.

*Responsibility for Cybersecurity Risks.* Our cybersecurity team has developed expertise in cybersecurity compliance, enterprise architecture and design, data analytics, digital transformation, and customer service through years of experience in the information technology space. This cross-functional cybersecurity team includes experts in various aspects of information security. These individuals are responsible for the day-to-day implementation of our cybersecurity program.

Additionally, the cybersecurity management team regularly consults with additional resources, to include attorneys, accountants, human resources personnel, and other information technology specialists, to determine materiality for cybersecurity related risks and incidents. There is an established incident response plan that clearly identifies escalation measures based on the impact to our organization.

*Processes for Monitoring and Mitigating Risks and Incidents.* We employ a comprehensive set of processes to monitor and mitigate cybersecurity risks. These processes include:

- Continuous monitoring of network traffic and systems for signs of potential threats.
- Implementation of cybersecurity measures, such as firewalls, intrusion detection systems and data encryption.
- Employee training and awareness programs to educate staff about cybersecurity best practices.
- Incident response plans to ensure swift and effective responses to cybersecurity incidents.
- Software and Vendor Risk Assessments.
- Vulnerability management solutions to prioritize patches based on risk.
- Privileged account management solutions for administrative access.

These processes are designed to prevent cybersecurity incidents, but they also allow us to quickly detect and respond to incidents if they do occur. They are regularly reviewed and updated to adapt to evolving cybersecurity threats.

*Reporting to the Board.* As noted above, our cybersecurity team provides regular updates and reports to our Board of Directors on cybersecurity risks as well as a review of the processes described above.

## MARKET FOR REGISTRANT’S COMMON EQUITY, RELATED SHAREHOLDER MATTERS AND ISSUER PURCHASE OF EQUITY SECURITIES

Our common stock is traded in the over-the-counter market and is quoted on the OTC Markets Group “Pink Sheets” under the symbol FULO. The closing sale prices reflect inter-dealer prices without adjustment for retail markups, markdowns or commissions and may not reflect actual transactions. The following table sets forth the high and low closing sale prices of our common stock during the calendar quarters presented as reported by the OTC Markets Group “Pink Sheets”.

	Common Stock Closing Sale Prices	
	High	Low
<b>2023 – Calendar Quarter Ended</b>		
<b>March 31</b>	\$ .500	\$ .375
<b>June 30</b>	.500	.163
<b>September 30</b>	.350	.150
<b>December 31</b>	.250	.100
<b>2024 – Calendar Quarter Ended</b>		
<b>March 31</b>	\$ .280	\$ .100
<b>June 30</b>	.348	.200
<b>September 30</b>	.410	.202
<b>December 31</b>	.404	.230

### Number of Shareholders

The number of beneficial holders of record of our common stock as of the close of business on March 17, 2025, was approximately 130.

### Dividend Policy

Due to our improved financial results of operations and financial condition, we have accumulated significant excess cash reserves which we believe are not currently needed to provide funds for operations and the continued expansion of our business. Consequently, on May 13, 2022, we implemented a quarterly cash dividend program on our common stock with the intention of paying regular cash dividends as determined by our Board of Directors. However, any payment of future dividends will be at the discretion of our Board and will depend on, among other things, our future earnings, financial condition, cash flows, capital requirements, levels of indebtedness, prevailing business conditions and other considerations our Board may deem relevant.

### Securities Authorized for Issuance under Equity Compensation Plans

The following table sets forth, as of December 31, 2024, information related to each category of equity compensation plan approved or not approved by our shareholders, including individual compensation arrangements with our non-employee directors. We do not have any equity compensation plans that have been approved by our shareholders. All of our outstanding stock option grants and warrants were pursuant to individual compensation arrangements and exercisable for the purchase of our common stock shares.

<b>Plan Category</b>	<b>Number of Shares Underlying Unexercised Options</b>	<b>Weighted-Average Exercise Price of Outstanding Options</b>	<b>Number of Securities Remaining Available for Future Issuance under Equity Compensation Plans</b>
<i>Equity compensation plans approved by our shareholders:</i>			
None	Not Applicable	Not Applicable	Not Applicable
<i>Equity compensation plans not approved by our shareholders</i>			
Stock option grants to non-employee directors	-	\$ -	-
Stock options granted to employees	127,167	\$ 0.010	-
<b>Total</b>	127,167	\$ 0.010	-

### **Unregistered Sales and Issuer Purchases of Equity Securities**

In December 2024, we issued 150,000 shares of our Series A convertible preferred stock to settle a related party liability of \$150,000.

In the year ended December 31, 2024, employee stock options for 58,830 shares of our common stock were exercised for \$588. During the year ended December 31, 2023, employee stock options for 382,333 shares of our common stock were exercised \$5,383.

In the issuances of our common stock, we relied on private offering exemptions from registration under Federal and state securities laws.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

The following discussion should be read in conjunction with our Unaudited Consolidated Financial Statements and notes thereto included in this Report. The results shown herein are not necessarily indicative of the results to be expected in any future periods. This discussion contains forward-looking statements based on current expectations that involve risks and uncertainties. Actual results and the timing of events could differ materially from the forward-looking statements as a result of a number of factors. For a discussion of the factors that could cause actual results to differ materially from the forward-looking statements, see the "Risk Factors" section of this Report.

### **Overview**

We are an integrated communications provider. Through our subsidiaries, we provide high quality, reliable and scalable Internet access, web hosting, equipment colocation, customized live help desk outsourcing services, mass notification services using text messages and automated telephone calls, as well as advanced voice and data solutions.

All of the markets in which we are active are extremely competitive. We anticipate that competition will continue to intensify. The tremendous growth and potential market size of these markets has attracted many new start-ups as well as existing businesses from a variety of industries. We believe that extensive easy-to-use features, a reliable network, knowledgeable salespeople and the quality of technical support are currently the primary competitive factors in our targeted market and that price is usually secondary to these factors.

As long as we are a provider of telecommunications related services, we are affected by regulatory proceedings in the ordinary course of our business at the state and Federal levels. These include proceedings before both the Federal Communications Commission and the Oklahoma Corporation Commission ("OCC"). In addition, in our operations we rely

on obtaining many of our underlying telecommunication services and/or facilities from incumbent local exchange carriers or other carriers pursuant to interconnection or other agreements or arrangements.

### **Summary of Significant Accounting Policies**

The preparation of our financial statements in conformity with accounting principles generally accepted in the United States of America requires us to make estimates and assumptions that affect certain reported amounts and disclosures. In applying these accounting principles, we must often make individual estimates and assumptions regarding expected outcomes or uncertainties. As might be expected, the actual results or outcomes are generally different than the estimated or assumed amounts. These differences are usually minor and are included in our unaudited consolidated financial statements as soon as they are known. Our estimates, judgments and assumptions are continually evaluated based on available information and experience. Because of the use of estimates inherent in the financial reporting process, actual results could differ from those estimates.

We periodically review the carrying value of our property and equipment whenever business conditions or events indicate that those assets may be impaired. If the estimated future undiscounted cash flows to be generated by the property and equipment are less than the carrying value of the assets, the assets are written down to fair market value and a charge is recorded to current operations. Significant and unanticipated changes in circumstances, including significant adverse changes in business climate, adverse actions by regulators, unanticipated competition, loss of key customers and/or changes in technology or markets, could require a provision for impairment in a future period.

We review loss contingencies and evaluate the events and circumstances related to these contingencies. We disclose material loss contingencies that are possible or probable, but cannot be estimated. For loss contingencies that are both estimable and probable the loss contingency is accrued and expense is recognized in the financial statements.

All of our revenues are recognized over the life of the contract as services are provided. Revenue that is received in advance of the services provided is deferred until the services are provided. Revenue related to set up charges is also deferred and amortized over the life of the contract. We classify certain taxes and fees billed to customers and remitted to governmental authorities on a net basis in revenue.

## Results of Operations

The following table sets forth certain unaudited statement of operations data as a percentage of revenues for the years ended December 31, 2024 and 2023:

	For the Years Ended December 31,			
	2024		2023	
	Amount	Percent	Amount	Percent
REVENUE	\$ 4,582,689	100.0	\$ 4,191,084	100.0
COST OF REVENUE	1,190,172	26.0	1,052,930	25.1
Gross Profit	3,392,517	74.0	3,138,154	74.9
<b>OPERATING EXPENSES</b>				
Sales and marketing	790,117	17.2	714,385	17.1
General and administrative	1,994,149	43.5	1,894,997	45.2
Depreciation and amortization	15,806	0.4	16,597	0.4
Total operating expenses	2,800,072	61.1	2,625,979	62.7
Income from operations	592,445	12.9	512,175	12.2
Other income	163,927	3.6	147,658	3.5
Income tax expense	(207,177)	(4.5)	(127,694)	(3.0)
Net income	549,195	12.0	532,139	12.7
Preferred stock dividends	(92,191)	(2.0)	(68,008)	(1.6)
Net income available to common shareholders	\$ 457,004	10.0	\$ 464,131	11.1

### Year Ended December 31, 2024 Compared to Year Ended December 31, 2023

#### *Revenue*

Total revenue increased \$391,605 or 9.3% to \$4,582,689 for the year 2024 from \$4,191,084 for the year 2023. This increase was primarily attributable to the net addition of new customers and the sale of additional services to existing customers.

In 2024, we had other income of \$163,927, which consisted primarily of interest income of \$132,998, income from debt extinguishment of \$7,019, and a vendor refund of \$22,000. In 2023, we had other income of \$147,658, which consisted of interest income of \$141,233 and income from debt extinguishment of \$6,425. The decrease in interest income was primarily the result of lower interest rates combined with lower cash balances earning interest in 2024.

#### *Cost of Revenue*

Cost of revenue increased \$137,242 or 13.0% to \$1,190,172 for the year 2024 from \$1,052,930 for the year 2023. This increase was primarily related to price increases from our vendors and increases in costs of servicing new customers added through growth of business.

#### *Gross Profit*

Gross profit as a percentage of revenue decreased to 74.0% for the year 2024 from 74.9% for the year 2023. This decrease was primarily related to price increases from our vendors combined with increased utilization of higher cost components of our service offerings.

### *Operating Expenses*

Sales and marketing expenses increased \$75,732 or 10.6% to \$790,117 for the year 2024 from \$714,385 for the year 2023. This increase was primarily a result of increases in advertising expense. Sales and marketing expense as a percentage of total revenues remained relatively unchanged at 17.2% for the year 2024 compared to 17.1% for the year 2023.

General and administrative expenses increased \$99,152 or 5.2% to \$1,994,149 for the year 2024 compared to \$1,894,997 for the year 2023. This increase was primarily a result of increases in employee costs. General and administrative expenses as a percentage of total revenues decreased to 43.5% during the year 2024 from 45.2% during the year 2023 due to the increase in total revenue.

Depreciation and amortization expense decreased \$791 or 4.8% to \$15,806 for the year 2024 compared to \$16,597 for the year 2023. This decrease was related to several assets reaching full depreciation during the year 2024.

### *Income Taxes*

In the year 2024, we had income tax expense of \$207,177. In the year 2023, we had income tax expense of \$127,694.

### *Net Income*

For the year 2024, we realized net income of \$549,195 compared to net income of \$532,139 for the year 2023. The increase was due primarily to the increase in revenue and the associated gross profit.

### **Liquidity and Capital Resources**

As of December 31, 2024, we had \$2,888,314 in current assets of which \$2,858,955 was cash, and \$1,699,446 in current liabilities. Current liabilities consist primarily of \$1,153,073 in deferred revenue and \$457,607 in accrued and other liabilities. The deferred revenue represents advance payments for services from our customers which will be satisfied by our delivery of services in the normal course of business and will not require direct settlement in cash.

At December 31, 2024 and December 31, 2023, we had positive working capital of \$1,188,868 and \$1,386,252, respectively.

	For the Years Ended December 31	
	2024	2023
Net cash flow provided by operating activities	\$ 684,982	\$ 690,293
Net cash flow used in investing activities	(9,785)	-
Net cash flow used in financing activities	(946,573)	(313,513)

Cash used for the purchase of property and equipment was \$9,785 for the year ended December 31, 2024. No property and equipment were purchased year ended December 31, 2023.

No intangible assets were purchased in the years ended December 31, 2024 and 2023.

During the year ended December 31, 2024, we paid \$68,008 in dividends on our Series A convertible preferred stock and \$879,153 in dividends on our common stock. During the year ended December 31, 2023, we paid \$61,826 in dividends on our Series A convertible preferred stock and \$257,070 in dividends on our common stock.

In December 2024, we issued 150,000 shares of our Series A convertible preferred stock to settle a related party liability of \$150,000.

During the year ended December 31, 2024, employee stock options for 58,830 shares of our common stock were exercised for \$588. During the year ended December 31, 2023, employee stock options for 382,333 shares of our common stock were exercised for \$5,383.

Growth of our business and the anticipated continued payment of common stock dividends may require additional capital to fund capital expenditures and working capital needs. These additional capital expenditure requirements could include mergers and acquisitions; improvements of existing services, development of new services; and further development of operations support systems and other automated back-office systems.

Because our cost of developing new services, funding other strategic initiatives, and operating our business depend on a variety of factors (including, among other things, the number of customers and the service for which they subscribe, the nature and penetration of services that may be offered by us, regulatory changes, and actions taken by competitors in response to our strategic initiatives), it is almost certain that actual costs and revenues will materially vary from expected amounts and these variations could increase our future capital requirements.

Our ability to fund these potential capital expenditures and other potential costs in the near term will depend upon, among other things, our ability to generate consistent net income and positive cash flow from operations as well as our ability to seek and obtain additional financing if necessary. Each of these factors is, to a large extent, subject to economic, financial, competitive, political, regulatory, and other factors, many of which are beyond our control.

As of December 31, 2024, our material contractual obligations and commitments were:

	Payments Due by Period				
	Total	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
Operating leases	\$ 434,142	\$ 82,275	\$ 205,462	\$ 146,405	\$ -

## DIRECTORS, EXECUTIVE OFFICERS, AND CORPORATE GOVERNANCE

The following information is furnished as of March 17, 2025, for each person who serves on our Board of Directors or serves as one of our executive officers. Our Board of Directors currently consists of three members. The directors serve one-year terms until their successors are elected. Our executive officers are elected annually by our Board. The executive officers serve terms of one year or until their death, resignation or removal by our Board. There are no family relationships between our directors and executive officers. In addition, there was no arrangement or understanding between any executive officer and any other person pursuant to which any person was selected as an executive officer.

Name	Age	Position
Timothy J. Kilkenny	66	Chairman of the Board of Directors
Roger P. Baresel	69	Chief Executive Officer, Chief Financial Officer and Secretary and Director
Jason C. Ayers	50	President and Director

Timothy J. Kilkenny has served as our Chairman of the Board of Directors since our inception in May 1995. He served as our Chief Executive Officer from May 1995 until June 6, 2016. Prior to that time, he spent 14 years in the financial planning business as a manager for both MetLife and Prudential. Mr. Kilkenny is a graduate of Central Bible College in Springfield, Missouri.

Roger P. Baresel became our Chief Executive Officer on June 6, 2016. He has been one of our directors and our Chief Financial Officer since November 2000, and served as our President from October 2003 until June 2016. Mr. Baresel is an experienced senior executive and consultant who has served at a variety of companies in a number of different industries. Mr. Baresel has the following degrees from the University of Central Oklahoma in Edmond, Oklahoma: BA Psychology, BS Accounting and MBA Finance, in which he graduated Summa Cum Laude. Mr. Baresel is also a certified public accountant.

Jason C. Ayers became our President on June 6, 2016. He has been one of our directors since May 2013 and served as our Vice President of Operations from December 2000 until June 2016. Prior to that he served as President of Animus, a

privately-held web hosting company which we acquired in April 1998. Mr. Ayers received a BS degree from Southern Nazarene University in Bethany, Oklahoma in May 1996 with a triple major in Computer Science, Math and Physics. Upon graduating, he was a co-founder of Animus.

Mr. Baresel’s experience and qualification as a financial expert were acquired through the active supervision of a principal financial officer, principal accounting officer, controller, public accountant, auditor or person performing similar functions and overseeing or assessing the performance of companies or public accountants with respect to the preparation, auditing or evaluation of financial statements.

Mr. Baresel is not an independent director. We have been unable to attract a person to serve as one of our directors and that would qualify both as an independent director and as a financial expert because of the inability to compensate our directors and provide liability insurance protection.

### Code of Ethics

Our board of directors has adopted our code of ethics that applies to all of our employees and directors, including our principal executive officer, principal financial officer, principal accounting officer or controller, and persons performing similar functions. Our code of ethics may be found on our website at [www.fullnet.net](http://www.fullnet.net). We will describe the nature of amendments to the code on our website, except that we may not describe amendments that are purely technical, administrative, or otherwise non-substantive. We will also disclose on our website any waivers from any provision of the code that we may grant. We will also disclose on our website any violation of the code by our principal executive officer, principal financial officer, principal accounting officer or controller, and persons performing similar functions. Information about amendments and waivers to the code will be available on our website for at least 12 months, and thereafter, the information will be available upon request for five years.

### Executive Compensation

The following table sets forth the last two fiscal years of cash compensation paid by us to our Chairman, Chief Executive Officer and Chief Financial Officer and President (the “Named Executive Officers”). None of our executive officers, other than the named executive officers, earned annual compensation in excess of \$100,000 during 2024.

Name and Principal Position	Annual Compensation					Long-Term Compensation
	Fiscal Year	Salary		Other Compensation		Securities Underlying Options and Warrants (#) (1)
Timothy J. Kilkenny	2024	\$ 85,284	(2)	\$ 20,651	(3)	-
Chairman	2023	\$ 80,092	(4)	\$ 18,693	(5)	-
Roger P. Baresel	2024	\$ 101,520	(6)	\$ 64,523	(7)	-
CEO and CFO	2023	\$ 104,206	(8)	\$ 58,677	(9)	-
Jason C. Ayers	2024	\$ 232,033	(10)	\$ 33,808	(11)	-
President	2023	\$ 218,941	(12)	\$ 34,113	(13)	-

(1)	Options are generally granted with an exercise price equal to the fair market value of our common stock on the date of the grant and are valued based on the Black-Scholes option pricing model.
(2)	Includes no deferred compensation.
(3)	Represents \$2,400 of expense for business parking for Mr. Kilkenny, \$15,340 of insurance premiums, and \$2,911 of post-retirement benefits paid by us for the benefit of Mr. Kilkenny.

(4)	Includes no deferred compensation.
(5)	Represents \$2,375 of expense for business parking for Mr. Kilkenny, \$12,621 of insurance premiums, and \$3,697 of post-retirement benefits paid by us for the benefit of Mr. Kilkenny.
(6)	Includes \$67,009 of deferred compensation.
(7)	Represents \$9,600 of expense reimbursement for business use of Mr. Baresel's automobile and parking, \$5,613 of expense reimbursement for Mr. Baresel's home office and cell phone, \$47,905 of insurance premiums, and \$1,405 of post-retirement benefits paid by us for the benefit of Mr. Baresel.
(8)	Includes \$70,695 of deferred compensation.
(9)	Represents \$9,600 of expense reimbursement for business use of Mr. Baresel's automobile and parking, \$5,290 of expense reimbursement for Mr. Baresel's home office and cell phone, \$42,371 of insurance premiums, and \$1,416 of post-retirement benefits paid by us for the benefit of Mr. Baresel.
(10)	Includes no deferred compensation.
(11)	Represents \$2,400 of expense reimbursement for Mr. Ayers' parking, \$1,500 of expense reimbursement for Mr. Ayers' internet connection and cell phone, \$22,885 of insurance premiums, and \$7,023 of post-retirement benefits paid by us for the benefit of Mr. Ayers.
(12)	Includes no deferred compensation.
(13)	Represents \$2,375 of expense reimbursement for Mr. Ayers' parking, \$1,500 of expense reimbursement for Mr. Ayers' internet connection and cell phone, \$23,485 of insurance premiums, and \$6,753 of post-retirement benefits paid by us for the benefit of Mr. Ayers.

### **Stock Options Granted**

No stock options were granted to Mr. Kilkenny, Mr. Baresel, and Mr. Ayers during 2024 or 2023.

### **2024 Year-End Option Values**

Our executive officers (Timothy J. Kilkenny, Chairman of the Board, Roger P. Baresel, Chief Executive Officer and Chief Financial Officer, and Jason C. Ayers, President) held no outstanding options at December 31, 2024.

### **Director Compensation**

During the year ended December 31, 2024, our directors did not receive any compensation for serving in such capacities.

### **Employment Agreement and Lack of Keyman Insurance**

On July 6, 2011, we entered into employment agreements with Timothy J. Kilkenny, Roger P. Baresel and Jason C. Ayers. Each agreement is effective July 1, 2011, and continued through an initial term ended December 31, 2018; however, the term was automatically extended for additional three-year terms, since neither we nor the employee gave a six-month advance notice of termination. These agreements provide, among other things, (i) an annual base salary of at least \$61,656 for Mr. Kilkenny, \$45,012 for Mr. Baresel and \$68,436 for Mr. Ayers, (ii) bonuses at the discretion of the Board of Directors, (iii) entitlement to fringe benefits including medical and insurance benefits as may be provided to our other senior officers, and (iv) eligibility to participate in our incentive, bonus, benefit or similar plans. These agreements require the employee to devote the required time and attention to our business and affairs necessary to carry out his responsibilities

and duties. These agreements may be terminated under certain circumstances and upon termination provide for (i) the employee to be released from personal liability for our debts and obligations, and (ii) the payment of any amounts we owe the employee. At December 31, 2024, we owed, including deferred compensation, \$6,488, \$64,209 and \$53,699 to Mr. Kilkenny, Mr. Baresel and Mr. Ayers, respectively.

We do not maintain any keyman insurance covering the death or disability of our executive officers.

### Security Ownership of Certain Beneficial Owners and Management and Related Shareholder Matters

The following table sets forth information as of March 17, 2025, concerning the beneficial ownership of our Common Stock by each of our directors, each executive officer named in the table under the heading “Directors and Executive Officers, and Corporate Governance” and all of our directors and executive officers as a group, as well as each person who is known by us to own more than 5% of the outstanding shares of our Common Stock. The non-employee beneficial owner information is based on information provided to us by the beneficial owner or our stock transfer agent. Unless otherwise indicated, the beneficial owner has sole voting and investment power with respect to such stock.

Beneficial Owner (1)	Common Stock Beneficially Owned	
	Number of Shares	Percent of Class (1)
Timothy J. Kilkenny (2)(3)	4,254,917	21.5%
Roger P. Baresel (2)(4)	3,879,762	19.4%
Jason C. Ayers (2)(5)	3,143,424	16.0%
All executive officers and directors as a group (3 individuals)	11,278,103	55.4%
High Capital Funding, LLC (6)	1,678,250	8.6%

(1)	Percent of class for any shareholder listed is calculated without regard to shares of common stock issuable to others upon exercise of outstanding stock options. Any shares a shareholder is deemed to own by having the right to acquire by exercise of an option or warrant are considered to be outstanding solely for the purpose of calculating that shareholder’s ownership percentage. We computed the percentage ownership amounts in accordance with the provisions of Rule 13d-3(d), which includes as beneficially owned all shares of common stock which the person or group has the right to acquire within the next 60 days, based upon 19,623,917 shares being outstanding at March 17, 2025.
(2)	Address is c/o 201 Robert S. Kerr Avenue, Suite 210, Oklahoma City, Oklahoma 73102.
(3)	Timothy J. Kilkenny and Barbara J. Kilkenny, husband and wife, hold 3,939,917 and 315,000 shares of our common stock, respectively. The number of shares includes 240,628 shares of our Series A convertible preferred stock held by Mr. Kilkenny that are currently convertible into common stock at the rate of one share of common stock per one share of Series A convertible preferred stock.
(4)	Roger P. Baresel and Judith A. Baresel, husband and wife, hold 5,600 and 3,874,162 shares of our common stock, respectively. The number of shares held by Mrs. Baresel includes 450,000 shares of our Series A convertible preferred stock that are currently convertible into common stock at the rate of one share of common stock per one share of Series A convertible preferred stock. Mr. Baresel disclaims any beneficial interest in the common stock and preferred stock held by Mrs. Baresel.
(5)	Jason C Ayers holds 3,143,424 shares of our common stock. The number of shares includes 77,629 shares of our Series A convertible preferred stock that are currently convertible into common stock at the rate of one share of common stock per one share of Series A convertible preferred stock.
(6)	High Capital Funding, LLC, 333 Sandy Springs Circle, Suite 230, Atlanta, Georgia 30328, the parent company of Generation Capital Associates, holds 940,642 shares of our common stock. Generation Capital Associates holds 737,608 shares of our common stock.

## FullNet Communications, Inc. and Subsidiaries

### UNAUDITED CONSOLIDATED BALANCE SHEETS

	DECEMBER 31,	
	2024	2023
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 2,858,955	\$ 3,130,331
Accounts receivable, net	1,869	823
Prepaid expenses and other current assets	27,490	35,690
<b>Total current assets</b>	<b>2,888,314</b>	<b>3,166,844</b>
PROPERTY AND EQUIPMENT, net	64,555	70,577
OTHER ASSETS AND INTANGIBLE ASSETS	21,029	19,910
RIGHT OF USE LEASED ASSET	434,142	145,449
<b>TOTAL ASSETS</b>	<b>\$ 3,408,040</b>	<b>\$ 3,402,780</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 6,491	\$ 13,668
Accrued and other liabilities	457,607	524,312
Operating lease liability – current portion	82,275	145,449
Deferred revenue	1,153,073	1,097,163
<b>Total current liabilities</b>	<b>1,699,446</b>	<b>1,780,592</b>
OPERATING LEASE LIABILITY – less current portion	351,867	-
<b>Total liabilities</b>	<b>2,051,313</b>	<b>1,780,592</b>
<b>SHAREHOLDERS' EQUITY (DEFICIT)</b>		
Preferred stock - \$.001 par value; authorized, 10,000,000 shares; Series A convertible; issued and outstanding, 768,257 and 618,257 shares in 2024 and 2023, respectively	768	618
Common stock - \$.00001 par value; authorized, 40,000,000 shares; issued and outstanding, 19,623,917 and 19,565,087 shares in 2024 and 2023, respectively	196	196
Additional paid-in capital	9,687,455	9,530,917
Accumulated deficit	(8,331,692)	(7,909,543)
<b>Total shareholders' equity</b>	<b>1,356,727</b>	<b>1,622,188</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$ 3,408,040</b>	<b>\$ 3,402,780</b>

See accompanying notes to unaudited consolidated financial statements.

## FullNet Communications, Inc. and Subsidiaries

### UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS

	Years ended December 31,	
	2024	2023
REVENUE	\$ 4,582,689	\$ 4,191,084
COST OF REVENUE	1,190,172	1,052,930
Gross profit	3,392,517	3,138,154
<b>OPERATING EXPENSES</b>		
Sales and marketing	790,117	714,385
General and administrative expenses	1,994,149	1,894,997
Depreciation and amortization expenses	15,806	16,597
Total operating costs and expenses	2,800,072	2,625,979
INCOME FROM OPERATIONS	592,445	512,175
Other income	163,927	147,658
NET INCOME BEFORE INCOME TAX	756,372	659,833
Income tax expense	(207,177)	(127,694)
NET INCOME	\$ 549,195	\$ 532,139
Preferred stock dividends	(92,191)	(68,008)
Net income available to common shareholders	\$ 457,004	\$ 464,131
Net income per share:		
Basic	\$ 0.02	\$ 0.02
Diluted	\$ 0.02	\$ 0.02
Weighted average shares outstanding		
Basic	19,620,532	19,465,302
Diluted	19,743,033	19,645,072

See accompanying notes to unaudited consolidated financial statements.

## FullNet Communications, Inc. and Subsidiaries

### UNAUDITED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (DEFICIT)

Years Ended December 31, 2024 and 2023

	Common stock		Preferred stock		Additional Paid-in capital	Accumulated deficit	Total
	Shares	Amount	Shares	Amount			
Balance at January 1, 2023	19,182,754	\$ 192	618,257	\$ 618	\$ 9,517,323	\$ (8,116,604)	\$ 1,401,529
Stock options expense	-	-	-	-	8,215	-	8,215
Stock options exercised	382,333	4	-	-	5,379	-	5,383
Common stock dividends paid	-	-	-	-	-	(257,070)	(257,070)
Preferred stock dividends declared	-	-	-	-	-	(68,008)	(68,008)
Net income	-	-	-	-	-	532,139	532,139
Balance at December 31, 2023	19,565,087	196	618,257	618	9,530,917	(7,909,543)	1,622,188
Stock options expense	-	-	-	-	6,100	-	6,100
Stock options exercised	58,830	-	-	-	588	-	588
Common stock dividends paid	-	-	-	-	-	(879,153)	(879,153)
Preferred stock issued to settle a related party liability	-	-	150,000	150	149,850	-	150,000
Preferred stock dividends declared	-	-	-	-	-	(92,191)	(92,191)
Net income	-	-	-	-	-	549,195	549,195
Balance at December 31, 2024	19,623,917	\$ 196	768,257	\$ 768	\$ 9,687,455	\$ (8,331,692)	\$ 1,356,727

See accompanying notes to unaudited consolidated financial statements.

## FullNet Communications, Inc. and Subsidiaries

### UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years ended December 31,	
	2024	2023
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 549,195	\$ 532,139
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	15,806	16,597
Noncash lease expense	(288,693)	133,637
Stock options expense	6,100	8,215
Provision for uncollectible accounts receivable	(24,988)	1,227
Changes in operating assets and liabilities		
Accounts receivable	23,942	(467)
Prepaid expenses and other assets	7,081	(610)
Accounts payable	(7,177)	(5,331)
Accrued and other liabilities	59,113	42,658
Deferred revenue	55,910	95,865
Operating lease liability	288,693	(133,637)
Net cash provided by operating activities	684,982	690,293
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Cash paid for property and equipment	(9,785)	-
Net cash used in investing activities	(9,785)	-
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from exercise of options and warrants	588	5,383
Payment of dividends payable – Preferred Stock	(68,008)	(61,826)
Payment of dividends payable – Common Stock	(879,153)	(257,070)
Net cash used in financing activities	(946,573)	(313,513)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		
	(271,376)	376,780
Cash and cash equivalents at beginning of period	3,130,331	2,753,551
Cash and cash equivalents at end of period	\$ 2,858,955	\$ 3,130,331
<b>NON-CASH INVESTING AND FINANCING ACTIVITIES</b>		
Right of use assets and operating lease liabilities recognized	\$ 434,142	\$ -
Preferred stock issued to settle related party liability	\$ 150,000	\$ -
Preferred stock dividend declared	\$ 92,191	\$ 68,008

See accompanying notes to unaudited consolidated financial statements.

# FullNet Communications, Inc. and Subsidiaries

## NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024 and 2023

### NOTE A – SUMMARY OF ACCOUNTING POLICIES AND NATURE OF OPERATIONS

A summary of the significant accounting policies consistently applied in the preparation of the accompanying unaudited consolidated financial statements follows.

#### **Nature of Operations**

FullNet Communications, Inc. and Subsidiaries (the “Company”) is an integrated communications provider primarily focused on providing mass notification services using text messages and automated telephone calls, equipment colocation and related services, and customized live help desk outsourcing services to individuals, businesses, organizations, educational institutions and governmental agencies. Through its subsidiaries, FullNet, Inc., FullTel, Inc., FullWeb, Inc. and CallMultiplier, Inc., the Company provides high quality, reliable and scalable Internet based advanced voice and data solutions designed to meet customer needs. Services offered include:

- Mass notification services using text messages and automated telephone calls;
- Carrier-neutral equipment colocation, web hosting and related services; and
- Customized live help desk outsourcing services.

#### **Basis of Presentation**

The unaudited consolidated financial statements of the Company are prepared in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”). Certain reclassifications have been made to the prior year unaudited consolidated financial statements to conform to the current year presentation.

#### **Consolidation**

The unaudited consolidated financial statements include the accounts of FullNet Communications, Inc. and its wholly owned subsidiaries FullNet, Inc., FullTel, Inc., FullWeb, Inc. and CallMultiplier, Inc. All material inter-company accounts and transactions have been eliminated.

#### **Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures; accordingly, actual results could differ from those estimates.

#### **Cash Equivalents**

Cash equivalents are represented by operating accounts or money market accounts maintained with insured financial institutions which consist of highly liquid investments that mature in three months or less from date of purchase.

We have not experienced any losses in such accounts. We do not believe there is significant credit risk related to our cash and cash equivalents.

## Accounts Receivable

We operate and grant credit, on an uncollateralized basis. Concentrations of credit risk with respect to accounts receivable are limited due to the large number of customers comprising our customer base and their dispersion across different industries as well as our emphasis on obtaining deposits and/or payment in advance for services from the majority of our customers. During the years ended December 31, 2024 and 2023, we had no customers that comprised 10% or more of total revenues.

Accounts receivable, other than certain large customer accounts which are evaluated individually, are considered past due for purposes of determining the allowances for doubtful accounts based on past experience of collectability as follows:

1 - 29 days	1.5%
30 - 59 days	30%
60 – 89 days	50%
>90 days	100%

In addition, if we become aware of a specific customer's inability to meet our financial obligations, a specific reserve is recorded against amounts due to reduce the net recognized receivable to the amount reasonably expected to be collected. Total bad debt direct write-off recovery for the year ended December 31, 2024 was \$313. Total bad debt expense and direct write-off recovery for the year ended December 31, 2023 was \$1,111.

Accounts receivable consist of the following at December 31:

<b>Schedule of Accounts Receivable</b>		
	<b>2024</b>	<b>2023</b>
Accounts receivable	\$ 185,573	\$ 209,515
Less allowance for doubtful accounts	(183,704)	(208,692)
Accounts receivable, net	\$ 1,869	\$ 823

## Property and Equipment

Property and equipment are stated at cost. Depreciation is computed primarily using the straight-line method over the estimated useful lives of the related assets as follow:

Software	3 years
Computers and equipment	5 years
Furniture and fixtures	7 years
Leasehold improvements	Shorter of estimated life of improvement or the lease term

Property and equipment consist of the following at December 31:

	<b>2024</b>	<b>2023</b>
Computers and equipment	\$ 167,651	\$ 315,542
Leasehold improvements	558,465	961,506
Furniture and fixtures	25,774	33,929
Property and equipment	751,890	1,310,977
Less accumulated depreciation	(687,335)	(1,240,400)
Property and equipment, net	\$ 64,555	\$ 70,577

Depreciation expense for the years ended December 31, 2024 and 2023, was \$15,806 and \$16,597, respectively.

### **Long-Lived Assets**

All long-lived assets held and used by us, including intangible assets, are reviewed to determine whether any events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. In accordance with ASC 360-10-35 “Impairment or Disposal of Long-lived Assets”, we base our evaluation on such impairment indicators as the nature of the assets, the future economic benefit of the assets, any historical or future profitability measurements, as well as other external market conditions or factors that may be present. If such impairment indicators are present or other factors exist that indicate that the carrying amount of the asset may not be recoverable, we determine whether impairment has occurred through the use of an undiscounted cash flows analysis of the asset. If impairment has occurred, we recognize a loss for the difference between the carrying amount and the estimated value of the asset. No intangible assets were purchased in 2024 or 2023. We incurred no impairment expense in 2024 and 2023. We incurred no amortization expense of intangible assets for the years ended December 31, 2024 and 2023.

### **Revenue Recognition**

Revenue is recognized when control of the services sold by us is transferred to customers in an amount that reflects the consideration we expect to receive in exchange for those services. Revenue that is received in advance of the services provided is deferred until the services are provided by us. Revenue related to set up charges is also deferred and amortized over the life of the contract. Revenues are presented net of taxes and fees billed to customers and remitted to governmental authorities.

We determine revenue recognition through the following steps:

- Identification of the contract, or contracts, with a customer;
- Identification of the performance obligations in the contract;
- Determination of the transaction price;
- Allocation of the transaction price to the performance obligations in the contract; and
- Recognition of revenue when, or as, we satisfy a performance obligation.

Our revenue is derived from fees earned from customers utilizing our services. We have four streams of revenue as shown in the following table:

Revenue Description	For Year Ended December 31, 2024	% of Total Revenue	For Year Ended December 31, 2023	% of Total Revenue
Mass notification services using text messages and automated telephone calls	\$ 4,061,216	89%	\$ 3,653,380	87%
Colocation, web hosting, and internet services	429,193	9%	446,065	11%
Live help desk support services	92,280	2%	91,639	2%
Total revenue	\$ 4,582,689	100%	\$ 4,191,084	100%

Revenue from our mass notification service is recognized as the service is provided pursuant to unwritten contracts created when our customers create an account on our website agreeing to be bound by our published Terms of Service when they purchase our service.

Revenue from our colocation, web hosting, internet services, and our live help desk support services, is recognized as the services are provided pursuant to written contracts executed by us and our customers.

Each of our services represent a single performance obligation consisting of a distinct service. All of our revenues are recognized as the services are provided over the life of the contract. Revenue that is received in advance of the services provided is deferred until the services are provided.

None of our services have a transaction price which includes variable consideration, a significant financing component, any noncash consideration or consideration payable to a customer. The transaction price is the amount of consideration to which we expect to be entitled to in exchange for the service transferred to each customer.

Each of our services represent a single performance obligation and the “stand-alone selling price” is the same as the contract selling price.

All of our services are sold pursuant to written and unwritten contracts which require payment in advance for the services.

### **Advertising**

We expense advertising production costs as they are incurred and advertising communication costs for the first time the advertisement takes place. Advertising expense for the years ended December 31, 2024 and 2023, was \$790,117 and \$714,385, respectively.

### **Income Taxes**

We account for income taxes utilizing the liability method, where deferred tax assets and liabilities are determined based on the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities for financial and income tax reporting purposes, using enacted statutory tax rates in effect for the year in which the differences are expected to reverse. The effects of future changes in tax laws or rates are not included in the measurement.

We file income tax returns in the U.S. federal jurisdiction and various state and local jurisdictions.

### **Income Per Share**

Income per share – basic is calculated by dividing net income by the weighted average number of shares of stock outstanding during the year, including shares issuable without additional consideration. Income per share – assuming dilution is calculated by dividing net income by the weighted average number of shares outstanding during the year adjusted for the effect of dilutive potential shares from options and warrants calculated using the treasury stock method and the if-converted method for preferred stock.

Reconciliation of basic and diluted income per share (“EPS”) are as follows:

	December 31, 2024	December 31, 2023
<b>Net income:</b>		
Net income	\$ 549,195	\$ 532,139
Preferred stock dividends	(92,191)	(68,008)
Net income available to common shareholders	457,004	464,131
<b>Basic income per share:</b>		
Weighted-average common shares outstanding used in income per share computations	19,620,532	19,465,302
Basic income per share	0.02	0.02
<b>Diluted income per share:</b>		
Shares used in diluted income per share computations	19,743,033	19,645,072
Diluted income per share	0.02	0.02
<b>Computation of shares used in income per share:</b>		
Weighted average shares and share equivalents outstanding - basic	19,620,532	19,465,302
Effect of dilutive stock options	122,501	179,770
Weighted average shares and share equivalents outstanding – assuming dilution	19,743,033	19,645,072

<b>Schedule of Anti-dilutive Securities Excluded:</b>	December 31, 2024	December 31, 2023
Convertible preferred stock	768,257	618,257
Total anti-dilutive securities excluded	768,257	618,257

### **Stock-Based Compensation**

We do not have a written employee stock option plan. We have historically generally granted employee stock options with an exercise price equal to the market price of our stock at the date of grant, a contractual term of ten years, and a vesting period of three years ratably on the first, second and third anniversaries of the date of grant (with limited exceptions).

There were no employee stock options granted during 2024. All employee stock options granted during 2023 were nonqualified stock options. Stock-based compensation is measured at the grant date, based on the calculated fair value of the option, and is recognized as an expense on a straight-line basis over the requisite employee service period (generally the vesting period of the grant).

### **Beneficial Conversion Features**

The intrinsic value of a beneficial conversion feature inherent to a convertible note payable, which is not bifurcated and accounted for separately from the convertible note payable and may not be settled in cash upon conversion, is treated as a discount to the convertible note payable. This discount is amortized over the period from the date of issuance to the date the note is due using the effective interest method. If the note payable is retired prior to the end of its contractual term, the unamortized discount is expensed in the period of retirement to interest expense. In general, the beneficial conversion feature is measured by comparing the effective conversion price, after considering the relative fair value of detachable instruments

included in the financing transaction, if any, to the fair value of the common shares at the commitment date to be received upon conversion.

### **Related Parties**

A party is considered to be related to us if the party directly or indirectly or through one or more intermediaries, controls, is controlled by, or is under common control with us. Related parties also include principal owners of us, our management, members of the immediate families of principal owners of us and our management and other parties with which we may deal if one party controls or can significantly influence the management or operating policies of the other to an extent that one of the transacting parties might be prevented from fully pursuing our own separate interests. A party which can significantly influence the management or operating policies of the transacting parties or if it has an ownership interest in one of the transacting parties and can significantly influence the other to an extent that one or more of the transacting parties might be prevented from fully pursuing our own separate interests is also a related party.

At December 31, 2024 and 2023, we had no related party accounts payable to officers and directors for unpaid expense reimbursements.

### **Fair Value Measurements**

We measure our financial assets and liabilities in accordance with the requirements of FASB ASC 820, “Fair Value Measurements and Disclosures”. ASC 820 clarifies the definition of fair value, prescribes methods for measuring fair value, and establishes a fair value hierarchy to classify the inputs used in measuring fair value as follows:

Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis. Level 1 primarily consists of financial instruments such as exchange-traded derivatives, marketable securities and listed equities.

Level 2 – Pricing inputs are other than quoted prices in active markets included in level 1, which are either directly or indirectly observable as of the reported date and includes those financial instruments that are valued using models or other valuation methodologies. These models are primarily industry-standard models that consider various assumptions, including quoted forward prices for commodities, time value, volatility factors, and current market and contractual prices for the underlying instruments, as well as other relevant economic measures. Substantially all of these assumptions are observable in the marketplace throughout the full term of the instrument, can be derived from observable data or are supported by observable levels at which transactions are executed in the marketplace. Instruments in this category generally include non-exchange-traded derivatives such as commodity swaps, interest rate swaps, options and collars.

Level 3 – Pricing inputs include significant inputs that are generally less observable from objective sources. These inputs may be used with internally developed methodologies that result in management’s best estimate of fair value.

The recorded value of other financial assets and liabilities, which consist primarily of cash and cash equivalents, accounts receivable, other current assets, and accounts payable and accrued expenses approximate the fair value of the respective assets and liabilities as of December 31, 2024 and 2023, are based upon the short-term nature of the assets and liabilities.

### **Recent Accounting Pronouncements**

In December 2023, the FASB issued ASU 2023-09, “*Income Taxes (Topic 740): Improvements to Income Tax Disclosures*,” to improve income tax disclosures, primarily through enhanced disclosures for the rate reconciliation and income taxes paid, in addition to the modification or elimination of other disclosures. ASU 2023-09 will be effective for our annual period

ending December 31, 2025 and is to be applied prospectively with the option to adopt retrospectively. We are evaluating the impact the update will have on our disclosures.

In November 2024, the FASB issued ASU 2024-03, “*Income Statement – Reporting Comprehensive Income – Expense Disaggregation Disclosures (Subtopic 220-40); Disaggregation of Income Statement Expenses*,” to enhance income statement disclosures through additional disclosures of specified information about certain costs and expenses. ASU 2023-09 will be effective for our annual period ending December 31, 2027 and interim periods beginning on January 1, 2028, and is to be applied prospectively with the option to adopt retrospectively. We are evaluating the impact the update will have on our disclosures.

## **NOTE B – COMMITMENTS**

### **Operating Leases**

On December 13, 2024, we executed leases on our office space and data center which are effective January 1, 2025. Under the lease guidance (Topic 842), we recorded a Right of Use (“ROU”) Lease Asset and associated Lease Liability for our new office space lease and our data center lease renewal. One lease covers only the office space (the “FN Lease”) and the other lease covers our data center and is with FullWeb, Inc., a wholly owned subsidiary (the “FW Lease”). The FN Lease is for 784 square feet at \$60.00 per square foot, for three years, with 3% annual increases in rent and two 3-year renewal options. We assumed that the square footage would remain the same and the rate would increase by 3% per year during the 3-year period for purposes of calculating the ROU Lease Asset and associated Lease Liability. The FW Lease, an addendum to the Original Lease dated November 22, 2019, is for 4,117 square feet at \$17.50 per square foot, for five years, with 3% annual increases in rent and two 5-year renewal options. We assumed that the square footage would remain the same and the rate would increase by 3% per year during the 5-year period for purposes of calculating the ROU Lease Asset and associated Lease Liability. Of note, the FW Lease contains the right for us to opt-out of the FW Lease without penalty at each annual anniversary.

For purposes of calculating the ROU Asset and associated Lease Liability we used our incremental borrowing rate of 8.5%. The balance for both the ROU Asset and the associated Lease Liability was \$434,142 for the year ended December 31, 2024.

Rental expense for all operating leases for the years ended December 31, 2024 and 2023, was approximately \$152,234 and \$152,232, respectively.

## **NOTE C – INCOME TAXES**

We use the liability method, where deferred tax assets and liabilities are determined based on the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities for financial and income tax reporting purposes.

On a regular basis, management evaluates all available evidence, both positive and negative, regarding the ultimate realization of the tax benefits of our deferred tax assets. We classify any penalty and interest associated with uncertain tax positions, if required, as a component of our income tax provision.

## NOTE D – COMMON STOCK AND STOCK-BASED COMPENSATION

### Common Stock

On January 22, 2024, we issued 58,830 restricted shares of our common stock for cash proceeds of \$588 pursuant to the exercise of common stock purchase options by various employees. On April 6, 2023, we issued 382,333 restricted shares of our common stock for cash proceeds of \$5,383 pursuant to the exercise of common stock purchase options by various employees.

### Dividend Payments

The following table summarizes the dividends paid by the Company on its outstanding common stock for the years ended December 31, 2023 and 2024:

	Amount	Dividend per share
Year Ended December 31, 2023		
First quarter	\$ 63,339	\$ .0033
Second quarter	64,601	.0033
Third quarter	64,565	.0033
Fourth quarter	64,565	.0033
Total	\$ 257,070	
Year Ended December 31, 2024		
First quarter	\$ 588,717	\$ .0300
First quarter	72,609	.0037
Second quarter	72,609	.0037
Third quarter	72,609	.0037
Fourth quarter	72,609	.0037
Total	\$ 879,153	

### Stock-Based Compensation

We do not have a written employee stock option plan. We normally grant employee stock options with an exercise price in excess of par and less than the market price of our stock at the date of grant, a contractual term of ten years, and a vesting period of three years ratably on the first, second and third anniversaries of the date of grant (with limited exceptions).

No employee stock options were granted during 2024. All employee stock options granted during 2023 were nonqualified stock options. Stock-based compensation is measured at the grant date, based on the calculated fair value of the option, and is recognized as an expense on a straight-line basis over the requisite employee service period (generally the vesting period of the grant).

The following table summarizes our employee stock option activity for the years ended December 31, 2024 and 2023:

<b>Schedule of Employee Stock Option Activity</b>				
	<b>Options</b>	<b>Weighted average exercise price</b>	<b>Weighted average remaining contractual life (years)</b>	<b>Aggregate intrinsic value</b>
Options outstanding, December 31, 2022	556,330	\$ 0.051	6.74	
Options granted during the year	45,000	0.010		
Options exercised during the year	(382,333)	0.014		
Options forfeited during the year	(33,000)	0.003		
Options outstanding, December 31, 2023	185,997	\$ 0.010	7.52	
Options exercised during the year	(58,830)	0.010		
Options outstanding, December 31, 2024	127,167	\$ 0.010	6.76	\$ 34,025
Options exercisable, December 31, 2024	50,667	\$ 0.009	5.70	\$ 13,577

The following table summarizes our non-vested employee stock option activity for years ended December 31, 2024 and 2023:

	<b>2024</b>	<b>2023</b>
Non-vested options outstanding, beginning of year	108,000	493,163
Options granted during the year	-	45,000
Options vested during the year	(31,500)	(430,163)
Non-vested options outstanding, end of year	76,500	108,000

The fair values of the granted options are estimated at the date of grant using the Black-Scholes option pricing model. In addition to the exercise and grant date prices of the options, certain weighted average assumptions that were used to estimate the fair value of stock option grants in the respective periods are listed in the table below:

	<b>2024</b>	<b>2023</b>
Risk free interest rate	N/A	4.37%
Expected lives (in years)	N/A	5
Expected volatility	N/A	274%
Dividend yield	N/A	8.5%

The following table shows total stock options compensation expense included in the Unaudited Consolidated Statements of Operations and the effect on basic and diluted earnings per share for the years ended December 31:

	<b>2024</b>	<b>2023</b>
Stock options compensation	\$ 6,100	\$ 8,215
Impact on income per share:		
Basic and diluted	\$ NIL	\$ NIL

During the year 2024, no employee stock options were granted. Stock options compensation of \$6,100 recorded in the year 2024 was related to options that were granted in prior years. At December 31, 2024, there was \$2,719 of unrecognized stock options compensation that is expected to be recognized as an expense over a weighted-average period of 1.1 years.

#### **NOTE E – SERIES A CONVERTIBLE PREFERRED STOCK**

The holders of shares of the Series A convertible preferred stock (the “Series A Preferred”) are entitled to receive, when and as declared by our board of directors, dividends in cash in the amount of eleven cents per share per annum through December 31, 2023, and twelve cents per share per annum thereafter, payable within 90 days following the 31<sup>st</sup> day of December each year on such date as determined by the board of directors. The dividends are cumulative and our board of directors may elect to make any required dividend payment with our unregistered common stock in lieu of cash.

The Series A Preferred was originally issued as non-voting and provided that in the event that we failed, for any reason, to make a required dividend payment, then each share of the Series A Preferred shall thereafter be entitled to two votes upon any matter that the holders of our common stock are entitled to vote upon. On March 31, 2014, our board of directors made the determination that it was in our best interest and the best interest of our shareholders to conserve our working capital at that time and not make the annual dividend payment for the year ending December 31, 2013. As a result, each share of the Series A Preferred became thereafter entitled to two votes upon any matter that the holders of our common stock are entitled to vote upon.

The Series A Preferred may be redeemed at the option of our board of directors for one dollar per share plus all accrued and unpaid dividends thereon at the date of redemption. In addition, at any time after a change of our control, the holders of the Series A Preferred shall have the right, at the election of a majority of the holders, to require us to redeem all of the Series A Preferred for one dollar per share plus all accrued and unpaid dividends thereon at the date of redemption.

The Series A Preferred has a liquidation preference of one dollar per share plus all accrued and unpaid dividends thereon in the event of our liquidation, dissolution or winding up.

We analyzed the embedded conversion option for derivative accounting consideration under ASC 815-15 “Derivatives and Hedging” and determined that the conversion option should be classified as equity.

We analyzed the conversion option for beneficial conversion features consideration under ASC 470-20 “Convertible Securities with Beneficial Conversion Features” and noted none.

On December 31, 2024, our board of directors declared a dividend on the Series A Preferred after making the determination that, among other things, on a consolidated basis that (a) our net income for the years ended December 31, 2024 and 2023, was legally sufficient to pay the dividends declared below on our Series A Preferred, and (b) the declaration of the dividend was not likely to render us unable to meet, as they mature, those liabilities for which payment has not been otherwise adequately provided.

These dividends were paid on January 2, 2025, out of our net income for the years ended December 31, 2024 and 2023, to the holders of record of the issued and outstanding shares of our Series A Preferred at the close of business on December 31, 2024. The dividend consisted of \$0.12 per share, representing the cumulative unpaid dividends on the Series A Preferred through the year ended December 31, 2024, for a total dividend payment of \$92,191.

As of December 31, 2024, there were 768,257 shares of Series A Preferred outstanding with voting power representing 7.3% of the total voting power of our outstanding stock.

**NOTE F – SUBSEQUENT EVENTS**

On January 2, 2025, we paid the December 31, 2024 preferred stock dividend declared of \$92,191.