

FULLNET COMMUNICATIONS, INC.

An Oklahoma Corporation

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

Telephone: (405) 236-8200

www.fullnet.net

rbaresel@fullnet.net

Primary SIC code: 4813

Quarterly Report

For the period ending: September 30, 2025
(the "Reporting Period")

Outstanding Shares

The number of shares outstanding of our Common Stock was:

19,686,917 as of September 30, 2025 (Current Reporting Period Date or More Recent Date)

19,623,917 as of December 31, 2024 (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 Control⁴ of the company has occurred during this reporting period:

Yes: No:

⁴ "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:

N/A - None

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

N/A - None

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

N/A - 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>9/30/2025</u>
Total shares outstanding:	<u>19,686,917</u> as of date: <u>9/30/2025</u>
Total number of shareholders of record:	<u>130</u> as of date: <u>9/30/2025</u>

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

N/A - None

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>9/30/2025</u>
Total shares outstanding:	<u>768,257</u> as of date: <u>9/30/2025</u>
Total number of shareholders of record:	<u>3</u> as of date: <u>9/30/2025</u>

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

N/A - None

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 twelve cents per share per annum, payable within 90 days following the 31st 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 that we failed, for any reason, to make a dividend payment as set forth above, 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
8/22/25	Issuance	63,000	Common Stock	\$0.010	Yes	Staff Employees (1)	Option Exercise	Restricted	Private
Shares Outstanding on Date of This Report:									
Date	Common:	Preferred:							
Date <u>9/30/25</u>	Common: <u>19,686,917</u>	Preferred: <u>768,257</u>							

Example: A company with a fiscal year end of December 31st 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 ⁵	Name of Noteholder (entities must have individual with voting / investment control disclosed).	Reason for Issuance (e.g., Loan, Services, etc.)
Total Outstanding Balance:				Total Shares:				

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

N/A - 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.

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”).

⁵ 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 Annual Report for the year ended December 31, 2024, which was posted through the OTC Markets Disclosure & News Service on March 18, 2025.

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	Chairman of the Board of Directors	Blanchard, OK	4,254,917 (1)	Common Stock	21.4%	N/A
Roger P. Baresel	CEO & CFO and Director	Oklahoma City, OK	5,600 (2)	Common Stock	0.0%	N/A
Jason C. Ayers	President and Director	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	19.3%	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 of common stock and 450,000 shares of convertible preferred stock (one share of common stock for one share of preferred stock upon conversion) 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.

We confirm that the information in this table matches our public company profile on www.OTCMarkets.com. If any updates are needed to your public company profile, log in to 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. 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

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:

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.

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.

November 13, 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.

November 13, 2025 [Date]

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

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

FullNet Communications, Inc.

Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion is intended to assist in understanding our financial condition at and results of operations as of and for the quarterly period ended September 30, 2025 (“2025 3rd Quarter”). Our Third Quarter 2025 results are compared to those as of and for the quarterly period ended September 30, 2024 (“2024 3rd Quarter”).

Our Financial Statements (unaudited) and Notes thereto contain detailed information that should be referred to in conjunction with the following discussion. See “*Financial Statements*”. 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 our Annual Report for the year ended December 31, 2024.

This Third Quarter 2025 Report should be read in conjunction with our Annual Report for the year ended December 31, 2024.

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 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 Condensed Consolidated Statement of Operations data as a percentage of revenues for the three months, and nine months ended September 30, 2025 and 2024:

	Three Months Ended				Nine Months Ended			
	September 30, 2025		September 30, 2024		September 30, 2025		September 30, 2024	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
REVENUE	\$ 1,262,288	100.0	\$ 1,197,455	100.0	\$ 3,780,837	100.0	\$ 3,372,391	100.0
COST OF REVENUE	373,401	29.6	299,810	25.0	1,047,596	27.7	855,475	25.4
Gross Profit	888,887	70.4	897,645	75.0	2,733,241	72.3	2,516,916	74.6
OPERATING EXPENSES								
Sales and marketing	178,075	14.1	224,547	18.8	557,446	14.7	578,003	17.1
General and administrative	471,823	37.4	448,790	37.5	1,425,005	37.7	1,405,947	41.7
Depreciation and amortization	3,933	0.3	3,988	0.3	11,781	0.3	12,041	0.4
Total operating expenses	653,831	51.8	677,325	56.6	1,994,232	52.7	1,995,991	59.2
Income from operations	235,056	18.6	220,320	18.4	739,009	19.6	520,925	15.4
Other income	33,726	2.6	55,628	4.6	96,214	2.5	130,488	3.9
Income tax expense	(67,181)	(5.3)	(69,344)	(5.8)	(172,162)	(4.6)	(179,435)	(5.3)
Net income	201,601	15.9	206,604	17.2	663,061	17.5	471,978	14.0
Preferred stock dividends	(23,048)	(1.8)	(18,548)	(1.5)	(69,143)	(1.8)	(55,643)	(1.7)
Net income available to common shareholders	\$ 178,553	14.1	\$ 188,056	15.7	\$ 593,918	15.7	\$ 416,335	12.3

Three Months Ended September 30, 2025 (the “2025 3rd Quarter”) Compared to Three Months Ended September 30, 2024 (the “2024 3rd Quarter”)

Revenue

Total revenue increased \$64,833 or 5.4% to \$1,262,288 for the 2025 3rd Quarter from \$1,197,455 for the same period in 2024. This increase was primarily attributable to the net addition of new customers and the sale of additional services to existing customers.

In the 2025 3rd Quarter, we had interest income of \$33,626. In the 2024 3rd Quarter, we had interest income of \$33,628 and other income of \$22,000 consisting of a vendor refund.

Cost of Revenue

Cost of revenue increased \$73,591 or 24.5% to \$373,401 for the 2025 3rd Quarter from \$299,810 for the same period in 2024. This increase was due to the combination of associated higher levels of sales and price increases from our vendors. Cost of revenue as a percentage of total revenue increased to 29.6% during the 2025 3rd Quarter, compared to 25.0% during the same period in 2024, as a result of price increases from our vendors combined with increased utilization of higher cost components of our service offerings.

Gross Profit

Gross profit as a percentage of revenue decreased to 70.4% for the 2025 3rd Quarter from 75.0% for the same period in 2024. This decrease was primarily related to price increases from our vendors combined with increased utilization of higher cost components of our services offerings.

Operating Expenses

Sales and marketing expenses decreased \$46,472 or 20.7% to \$178,075 for the 2025 3rd Quarter from \$224,547 for the same period in 2024. This decrease was primarily a result of decreases in advertising expense. Sales and marketing expense as a percentage of total revenues decreased to 14.1% for the 2025 3rd Quarter compared to 18.8% for the same period in 2024.

General and administrative expenses increased \$23,033 or 5.1% to \$471,823 for the 2025 3rd Quarter compared to \$448,790 for the same period in 2024. This increase was primarily related to an increase in employee costs offset by a decrease in rent expense. General and administrative expenses as a percentage of total revenues decreased to 37.4% during the 2025 3rd Quarter from 37.5% during the same period in 2024.

Depreciation and amortization expense decreased \$55 or 1.4% to \$3,933 for the 2025 3rd Quarter compared to \$3,988 for the same period in 2024. This decrease was related to several assets reaching full depreciation during the year ended December 31, 2024.

Income Taxes

In the 2025 3rd Quarter, we had income tax expense of \$67,181 compared to \$69,344 for the same period in 2024.

Net Income

For the 2025 3rd Quarter, we realized net income of \$201,601 compared to net income of \$206,604 for the same period in 2024. This decrease was due primarily to the non-recurring vendor refund in the 2024 3rd Quarter and the decrease in gross profit combined with the increase in general and administrative expenses which was offset by the decrease in sales and marketing expenses.

Nine Months Ended September 30, 2025 (the “2025 Period”) Compared to Nine Months Ended September 30, 2024 (the “2024 Period”)

Revenue

Total revenue increased \$408,446 or 12.1% to \$3,780,837 for the 2025 Period from \$3,372,391 for the same period in 2024. This increase was primarily attributable to the net addition of new customers and the sale of additional services to existing customers.

In the 2025 Period, we had interest income of \$95,099 and other income of \$1,115. In the 2024 Period, we had interest income of \$101,469 and other income of \$29,019. The decrease in interest income was primarily the result of interest rate decreases resulting from actions taken by the Federal Reserve in 2024, and the decrease in other income was primarily due to non-recurring income from a vendor refund in the 2024 Period.

Cost of Revenue

Cost of revenue increased \$192,121 or 22.5% to \$1,047,596 for the 2025 Period from \$855,475 for the same period in 2024. This increase was due to the combination of associated higher levels of sales and price increases from our vendors. Cost of revenue as a percentage of total revenue increased to 27.7% during the 2025 Period, compared to 25.4% during the same period in 2024, as a result of price increases from our vendors combined with increased utilization of higher cost components of our service offerings.

Gross Profit

Gross profit as a percentage of revenue decreased to 72.3% for the 2025 Period from 74.6% for the same period in 2024. This decrease was primarily related to price increases from our vendors combined with increased utilization of higher cost components of our services offerings.

Operating Expenses

Sales and marketing expenses decreased \$20,557 or 3.6% to \$557,446 for the 2025 Period from \$578,003 for the 2024 Period. This decrease was primarily a result of decreases in advertising expense. Sales and marketing expense as a percentage of total revenues decreased to 14.7% for the 2025 Period compared to 17.1% for the 2024 Period.

General and administrative expenses increased \$19,058 or 1.4% to \$1,425,005 for the 2025 Period compared to \$1,405,947 for the 2024 Period. This increase was primarily related to an increase in employee costs offset by a decrease in professional services and rent expense. General and administrative expenses as a percentage of total revenues decreased to 37.7% during the 2025 Period from 41.7% during the same period in 2024.

Depreciation and amortization expense decreased \$260 or 2.2% to \$11,781 for the 2025 Period compared to \$12,041 for the same period in 2024. This decrease was related to several assets reaching full depreciation during the year ended December 31, 2024.

Income Taxes

In the 2025 Period, we had income tax expense of \$172,162. In the 2024 Period, we had income tax expense of \$179,435. The decrease was primarily the result of the tax benefit from the abandonment of leasehold improvements with a tax basis in excess of book basis.

Net Income

For the 2025 Period, we realized net income of \$663,061 compared to net income of \$471,978 for the 2024 Period. This increase was due primarily to the increase in revenue and the associated gross profit combined with the tax benefit from the abandonment of leasehold improvements with a tax basis in excess of book basis.

Liquidity and Capital Resources

As of September 30, 2025, we had \$3,476,987 in cash and \$3,510,478 in current assets and \$1,909,640 in current liabilities. Current liabilities consist primarily of \$532,781 in accrued and other liabilities, of which \$165,355 is owed to our officers and directors, and \$1,273,151 is deferred revenue. Our officers and directors, who are also major shareholders, have agreed to not 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 direct settlement in cash.

At September 30, 2025 and December 31, 2024, we had positive working capital of \$1,600,838 and \$1,188,868, respectively.

Cash used for the purchase of property and equipment was \$13,263 in the nine months ended September 30, 2025. No property and equipment were purchased in the nine months ended September 30, 2024.

No intangible assets were purchased in the nine months ended September 30, 2025 and 2024.

On January 2, 2025, we paid the December 31, 2024, preferred stock dividends declared of \$92,191. We paid \$241,632 in regular common stock cash dividends in the nine months ended September 30, 2025, and \$217,825 and \$588,718, in regular and special common stock cash dividends, respectively in the nine months ended September 30, 2024.

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.

Disclosure Regarding Forward-Looking Statements and Cautionary Statements

Certain forward-looking statements contained in this Report and in the Disclosure Documents 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.

FullNet Communications, Inc.

Financial Statements

Unaudited

FullNet Communications, Inc. and Subsidiaries
CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

	<u>September 30, 2025</u>	<u>December 31, 2024</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 3,476,987	\$ 2,858,955
Accounts receivable, net	1,137	1,869
Prepaid expenses and other current assets	32,354	27,490
Total current assets	3,510,478	2,888,314
PROPERTY AND EQUIPMENT, net	66,037	64,555
OTHER ASSETS AND INTANGIBLE ASSETS	19,630	21,029
RIGHT OF USE LEASED ASSET	373,873	434,142
TOTAL ASSETS	\$ 3,970,018	\$ 3,408,040
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 10,061	\$ 6,491
Accrued and other liabilities	532,781	365,416
Dividends payable	-	92,191
Operating lease liability – current portion	93,647	82,275
Deferred revenue	1,273,151	1,153,073
Total current liabilities	1,909,640	1,699,446
OPERATING LEASE LIABILITY – net of current portion	280,226	351,867
Total liabilities	2,189,866	2,051,313
SHAREHOLDERS' EQUITY		
Preferred stock - \$.001 par value; authorized, 10,000,000 shares; Series A convertible; issued and outstanding, 768,257 shares in 2025 and 2024, respectively	768	768
Common stock - \$.00001 par value; authorized, 40,000,000 shares; issued and outstanding, 19,686,917 and 19,623,917 shares in 2025 and 2024, respectively	197	196
Additional paid-in capital	9,689,450	9,687,455
Accumulated deficit	(7,910,263)	(8,331,692)
Total shareholders' equity	1,780,152	1,356,727
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 3,970,018	\$ 3,408,040

See accompanying notes to unaudited condensed consolidated financial statements.

FullNet Communications, Inc. and Subsidiaries

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

	Three Months Ended		Nine Months Ended	
	September 30, 2025	September 30, 2024	September 30, 2025	September 30, 2024
REVENUE	\$ 1,262,288	\$ 1,197,455	\$ 3,780,837	\$ 3,372,391
COST OF REVENUE	373,401	299,810	1,047,596	855,475
Gross profit	888,887	897,645	2,733,241	2,516,916
OPERATING EXPENSES				
Sales and marketing	178,075	224,547	557,446	578,003
General and administrative expenses	471,823	448,790	1,425,005	1,405,947
Depreciation and amortization	3,933	3,988	11,781	12,041
Total operating expenses	653,831	677,325	1,994,232	1,995,991
INCOME FROM OPERATIONS	235,056	220,320	739,009	520,925
OTHER INCOME	33,726	55,628	96,214	130,488
NET INCOME BEFORE INCOME TAX	268,782	275,948	835,223	651,413
Income tax expense	(67,181)	(69,344)	(172,162)	(179,435)
NET INCOME	\$ 201,601	\$ 206,604	\$ 663,061	\$ 471,978
Preferred stock dividends	(23,048)	(18,548)	(69,143)	(55,643)
Net income available to common shareholders	\$ 178,553	\$ 188,056	\$ 593,918	\$ 416,335
Net income per share:				
Basic	\$ 0.01	\$ 0.01	\$ 0.03	\$ 0.02
Diluted	\$ 0.01	\$ 0.01	\$ 0.03	\$ 0.02
Weighted average common shares outstanding:				
Basic	19,650,917	19,623,917	19,632,950	19,619,392
Diluted	19,709,627	19,747,074	19,691,317	19,741,753

See accompanying notes to unaudited condensed consolidated financial statements.

FullNet Communications, Inc. and Subsidiaries

CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (UNAUDITED)

Nine Months Ended September 30, 2025

	<u>Common stock</u>		<u>Preferred stock</u>		<u>Additional paid-in capital</u>	<u>Accumulated deficit</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u>			
Balance at January 1, 2025	19,623,917	\$ 196	768,257	\$ 768	\$ 9,687,455	\$ (8,331,692)	\$ 1,356,727
Common stock dividends declared	-	-	-	-	-	(241,632)	(241,632)
Stock options expense	-	-	-	-	1,366	-	1,366
Options exercised	63,000	1	-	-	629	-	630
Net income	-	-	-	-	-	663,061	663,061
Balance at September 30, 2025 – (unaudited)	19,686,917	\$ 197	768,257	\$ 768	\$ 9,689,450	\$ (7,910,263)	\$ 1,780,152

Nine Months Ended September 30, 2024

	<u>Common stock</u>		<u>Preferred stock</u>		<u>Additional paid-in capital</u>	<u>Accumulated deficit</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u>			
Balance at January 1, 2024	19,565,087	\$ 196	618,257	\$ 409,531	\$ 9,122,004	\$ (7,909,543)	\$ 1,622,188
Common stock dividends declared	-	-	-	-	-	(806,543)	(806,543)
Stock options expense	-	-	-	-	5,602	-	5,602
Options exercised	58,830	-	-	-	588	-	588
Net income	-	-	-	-	-	471,978	471,978
Balance at September 30, 2024 – (unaudited)	19,623,917	\$ 196	618,257	\$ 409,531	\$ 9,128,194	\$ (8,244,108)	\$ 1,293,813

See accompanying notes to unaudited condensed consolidated financial statements.

FullNet Communications, Inc. and Subsidiaries

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	Nine Months Ended	
	September 30, 2025	September 30, 2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 663,061	\$ 471,978
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	11,781	12,041
Noncash lease expense	60,269	107,924
Stock options expense	1,366	5,602
Provision for uncollectible accounts receivable	885	(24,973)
Changes in operating assets and liabilities		
Accounts receivable	(153)	24,667
Prepaid expenses and other assets	(3,465)	1,837
Accounts payable	3,570	(5,535)
Accrued and other liabilities	167,365	65,399
Deferred revenue	120,078	76,487
Operating lease liability	(60,269)	(107,924)
Net cash provided by operating activities	<u>964,488</u>	<u>627,503</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash paid for property and equipment	(13,263)	-
Net cash used in investing activities	<u>(13,263)</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from exercise of options	630	588
Payment of dividends payable – preferred stock	(92,191)	(68,008)
Payment of dividends payable – common stock	(241,632)	(806,543)
Net cash used in financing activities	<u>(333,193)</u>	<u>(873,963)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	618,032	(246,460)
Cash and cash equivalents at beginning of period	2,858,955	3,130,331
Cash and cash equivalents at end of period	<u>\$ 3,476,987</u>	<u>\$ 2,883,871</u>

See accompanying notes to the unaudited condensed consolidated financial statements.

FullNet Communications, Inc. and Subsidiaries

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. UNAUDITED INTERIM FINANCIAL STATEMENTS

The unaudited condensed consolidated financial statements and related notes of FullNet Communications, Inc. and its subsidiaries (“we”, “our”, collectively, the “Company”) should be read in conjunction with our unaudited consolidated financial statements and notes thereto for the year ended December 31, 2024.

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.

The information furnished reflects, in the opinion of management, all adjustments, consisting of normal recurring accruals, necessary for a fair presentation of the results of the interim periods presented. Operating results of the interim period are not necessarily indicative of the amounts that will be reported for the year ending December 31, 2025.

Recently Adopted 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.

In July 2025, the FASB issued ASU 2025-05, “*Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses for Accounts Receivable and Contract Assets*,” to address challenges encountered when applying the guidance of Topic 326, Financial Instruments – Credit Losses, to current accounts receivable and current contract assets arising from transactions accounted for under Topic 606, Revenue from Contracts with Customers. The amendments in this Update provide (1) all entities with a practical expedient and (2) entities other than public business entities with an accounting policy election when estimating expected credit losses for current accounts receivable and current contract assets arising from transactions accounted for under Topic 606. The amendments will be effective for annual reporting periods beginning after December 15, 2025, and interim reporting periods within those annual reporting periods. Early adoption is permitted in both interim and annual reporting periods in which financial statements have not yet been issued or made available for issuance. We are evaluating the impact the update will have on our disclosures.

Income Per Share

Income per share – basic is calculated by dividing net income available to common shareholders 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 available to common shareholders by the weighted average number of shares outstanding during the year adjusted for the effect of dilutive potential shares calculated using the treasury stock method for options and the “if converted” method for convertible preferred stock.

The reconciliation of basic and diluted income per share is as follows:

	Three Months Ended		Nine Months Ended	
	September 30, 2025	September 30, 2024	September 30, 2025	September 30, 2024
Net income	\$ 201,601	\$ 206,604	\$ 663,061	\$ 471,978
Preferred stock dividends	(23,048)	(18,548)	(69,143)	(55,643)
Net income available to common shareholders	178,553	188,056	593,918	416,335
Basic income per share:				
Weighted average common shares outstanding used in income per share	19,650,917	19,623,917	19,632,950	19,619,392
Basic income per share	0.01	0.01	0.03	0.02
Diluted income per share:				
Net income available to common shareholders	\$ 178,553	\$ 188,056	\$ 593,918	\$ 416,335
Shares used in diluted income per share	19,709,627	19,747,074	19,691,317	19,741,753
Diluted income per share	0.01	0.01	0.03	0.02
Computation of shares used in income per share:				
Weighted average shares and share equivalents outstanding – basic	19,650,917	19,623,917	19,632,950	19,619,392
Effect of dilutive stock options	58,710	123,157	58,367	122,361
Weighted average shares and share equivalents outstanding – diluted	19,709,627	19,747,074	19,691,317	19,741,753

Schedule of Anti-dilutive Securities Excluded

	Three Months Ended		Nine Months Ended	
	September 30, 2025	September 30, 2024	September 30, 2025	September 30, 2024
Preferred stock	768,257	618,257	768,257	618,257
Total anti-dilutive securities excluded	768,257	618,257	768,257	618,257

Anti-dilutive securities consist of stock options and convertible preferred stock whose exercise price or conversion price, respectively, was greater than the average market price of the common stock.

2. STOCK BASED COMPENSATION

The following table summarizes our employee stock option activity for the nine months ended September 30, 2025:

Schedule of Employee Stock Option Activity				
	Options	Weighted average exercise price	Weighted average remaining contractual life (years)	Aggregate intrinsic value
Options outstanding, December 31, 2024	127,167	\$ 0.010	6.76	\$ 34,025
Options expired during the period	(4,000)	\$ 0.003		
Options exercised during the period	(63,000)	\$ 0.010		
Options outstanding, September 30, 2025	60,167	\$ 0.010	5.51	\$ 25,276
Options exercisable, September 30, 2025	15,667	\$ 0.010	2.35	\$ 6,376

During the nine months ended September 30, 2025, no non-qualified employee stock options were granted.

On March 15, 2025, we paid the February 14, 2025 dividends declared on our common stock of \$80,458, to shareholders of record on February 28, 2025.

On June 16, 2025, we paid the May 15, 2025 dividends declared on our common stock of \$80,458, to shareholders of record on May 31, 2025.

On September 15, 2025, we paid the August 15, 2025 dividends declared on our common stock of \$80,717, to shareholders of record on August 31, 2025.

Total stock-based compensation expense for the nine months ended September 30, 2025 was \$1,366, all of which is related to options issued in prior years. 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).

3. SERIES A CONVERTIBLE PREFERRED STOCK

On January 2, 2025, we paid the December 31, 2024 dividends declared on our Series A Convertible Preferred Stock of \$92,191. As of September 30, 2025, the aggregate outstanding accumulated arrearages of cumulative dividends was \$69,143 or if issued in common shares, 160,798 shares.

4. 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.

For the nine months ended September 30, 2025, we amortized \$60,269 of our operating right-of-use, or ROU, asset and made payments of the associated lease liability for the same amount. At September 30, 2025, an operating ROU asset and liability of \$373,873, each, are included on our condensed consolidated balance sheet.

For the nine months ended September 30, 2025 and 2024, our fixed operating lease cost was \$85,396 and \$114,174, respectively, which is included within operating costs and expenses in our condensed consolidated statements of operations.

Future minimum lease payments under non-cancellable operating leases as of September 30, 2025, were as follows:

Year ending December 31,		
2025 (three months remaining)	\$	29,772
2026		122,660
2027		126,340
2028		78,728
2029		81,090
Total future minimum lease payments	\$	438,590
Present value of discount		(64,717)
Current portion lease liability		(93,647)
Long-term lease liability	\$	<u>280,226</u>