Angstrom Technologies, Inc.

Financial Report
(Reviewed)
October 31, 2020

Contents

RSM US LLP

Independent Accountant's Review Report

To the Board of Directors and Shareholders
Angstrom Technologies, Inc.

We have reviewed the accompanying financial statements of Angstrom Technologies, Inc., which comprise the balance sheets as of October 31, 2020 and 2019, and the related statements of operations, shareholders' equity and cash flows for the years then ended and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Accountant's Responsibility
Our responsibility is to conduct the review engagements in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion
Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

RSM US LLP

Dayton, Ohio
January 18, 2021

Angstrom Technologies, Inc.

Balance Sheets
October 31, 2020 and 2019
See Independent Accountant's Review Report

	2020	2019
Assets		
Current assets:		
Cash and cash equivalents	**$ 1,630,902**	$ 891,439
Accounts receivable	**334,477**	544,661
Inventories	**2,401,214**	3,136,858
Prepaid expenses and other assets	**36,375**	36,061
Refundable income taxes	**146,528**	142,834
Total current assets	**4,549,496**	4,751,853
Property, plant and equipment, net	**808,632**	852,288
Other long-term assets:		
Patents, less accumulated amortization of $38,062 in 2020 and $35,461 in 2019	**78,214**	77,738
Deferred income taxes, net	**64,497**	57,167
Total other long-term assets	**142,711**	134,905
Total assets	**$ 5,500,839**	$ 5,739,046
Liabilities and Shareholders' Equity		
Current liabilities:		
Current portion of long-term debt	**$ 158,570**	$ 20,451
Accounts payable	**55,368**	71,250
Accrued commissions	**128,398**	157,448
Accrued payroll	**73,153**	52,731
Other accrued liabilities	**6,547**	26,942
Total current liabilities	**422,036**	328,822
Other long-term liabilities:		
Long-term debt, less current portion	**80,430**	121,223
Total liabilities	**502,466**	450,045
Shareholders' equity:		
Common stock, $.01 par value; 75,000,000 shares authorized, 39,563,038 and 38,988,038 shares issued, respectively, and 34,135,999 and 33,560,999 shares outstanding, respectively	**395,630**	389,880
Treasury stock, 5,427,039 shares, at cost	**(190,111)**	(190,111)
Additional paid-in capital	**7,221,100**	7,209,814
Accumulated deficit	**(2,428,246)**	(2,120,582)
Total shareholders' equity	**4,998,373**	5,289,001
Total liabilities and shareholders' equity	**$ 5,500,839**	$ 5,739,046

See notes to financial statements.

Angstrom Technologies, Inc.

Statements of Operations
Years Ended October 31, 2020 and 2019
See Independent Accountant's Review Report

		2020		2019
Revenue	**$**	**4,289,256**	$	5,826,144
Cost of goods sold		**2,165,306**		2,863,337
Gross margin		**2,123,950**		2,962,807
Selling, general and administrative expenses		**2,509,074**		2,855,919
Operating (loss) income		**(385,124)**		106,888
Other income (expense):				
Interest		**(5,918)**		(22,818)
Other		**1,216**		283
Net other expense		**(4,702)**		(22,535)
(Loss) income before income tax (benefit) expense		**(389,826)**		84,353
Income tax (benefit) expense		**(82,162)**		23,694
Net (loss) income	**$**	**(307,664)**	$	60,659

See notes to financial statements.

Angstrom Technologies, Inc.

Statements of Shareholders' Equity
Years Ended October 31, 2020 and 2019
See Independent Accountant's Review Report

	Common Stock	Treasury Stock	Additional Paid-in Capital	Accumulated Deficit	Total Shareholders' Equity
Balance, November 1, 2018	$ 389,880	$ (190,111)	$ 7,204,278	$ (2,181,241)	$ 5,222,806
Net income	-	-	-	60,659	60,659
Stock-based compensation	-	-	5,536	-	5,536
Balance, October 31, 2019	389,880	(190,111)	7,209,814	(2,120,582)	5,289,001
Net loss	-	-	-	(307,664)	(307,664)
Stock-based compensation	-	-	5,536	-	5,536
Stock option exercises	5,750	-	5,750	-	11,500
Balance, October 31, 2020	**$ 395,630**	**$ (190,111)**	**$ 7,221,100**	**$ (2,428,246)**	**$ 4,998,373**

See notes to financial statements.

Angstrom Technologies, Inc.

Statements of Cash Flows
Years Ended October 31, 2020 and 2019
See Independent Accountant's Review Report

	2020	2019
Cash flows from operating activities:		
Net (loss) income	**$ (307,664)**	$ 60,659
Adjustment to reconcile net (loss) income to net cash provided by operating activities:		
Depreciation and amortization expense	**67,567**	96,739
Deferred income tax benefit	**(7,330)**	(21,977)
Stock option expense	**5,536**	5,536
Change in cash arising from changes in assets and liabilities:		
Accounts receivable	**210,184**	(88,098)
Inventories	**735,644**	346,877
Prepaid expenses and other assets	**(314)**	(8,957)
Accounts payable	**(15,882)**	(25,223)
Accrued commissions	**(29,050)**	27,124
Accrued payroll	**20,422**	5,359
Income taxes	**(3,694)**	4,261
Other accrued liabilities	**(20,395)**	21,296
Net cash provided by operating activities	**655,024**	423,596
Cash flows from investing activities:		
Purchases of property, plant and equipment	**(15,781)**	(36,374)
Capitalization of patents	**(8,606)**	(5,040)
Net cash used in investing activities	**(24,387)**	(41,414)
Cash flows from financing activities:		
Net payments on line of credit	**-**	(315,000)
Proceeds from borrowings	**239,000**	-
Repayment of borrowings	**(141,674)**	(17,610)
Sale of common stock	**11,500**	-
Net cash provided by (used in) financing activities	**108,826**	(332,610)
Net change in cash	**739,463**	49,572
Cash and cash equivalents:		
Beginning	**891,439**	841,867
Ending	**$ 1,630,902**	$ 891,439
Supplemental disclosures of cash flow information:		
Cash paid (refunded) during the year for:		
Interest	**$ 5,918**	$ 22,818
Income taxes	**$ (71,138)**	$ 41,411

See notes to financial statements.

Note 1. Summary of Significant Accounting Policies

Nature of operations: The principal business of Angstrom Technologies, Inc. (the Company) is to develop and manufacture fluorescent chemicals that produce finished products in inks, varnishes, toners, paints and adhesives, as well as a large selection of patented fluorescent detectors. The Company is located in Florence, Kentucky and does business primarily in the United States of America.

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate the spread of it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Company operates. On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was enacted to amongst other provisions, provide emergency assistance for individuals, families and businesses affected by the coronavirus pandemic.

It is unknown how long the adverse conditions associated with the coronavirus will last and what the complete financial effect will be to the Company.

Under the CARES Act, the Company received funding to retain the employment of its workforce during the pandemic. Refer to Note 6 for further information regarding this loan.

Basis of presentation: The accompanying financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC).

Use of estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue recognition: Revenue is recognized upon transfer of control of the promised products and services (performance obligations) contained in the customer contract in an amount that reflects the consideration the Company expects to receive from satisfying its performance obligations. In determining when and how revenue is recognized from contracts with customers, the Company performs the following five-step analysis: (i) identification of contract with customer; (ii) determination of performance obligations; (iii) measurement of the transaction prices; (iv) allocation of the transaction price to performance obligations; and (v) recognition of revenue when (or as) the Company satisfies each performance obligation. All customer contracts meet the following criteria:

- Approvals have been obtained and a commitment to perform exists on the part of the Company and the customer
- Rights of both parties are identifiable
- Payment terms are identifiable
- Commercial substance exists
- Collection of substantially all the amount to which the Company will be entitled is probable

Cash and cash equivalents: The Company considers all highly liquid investments with the original maturities of three months or less to be cash equivalents.

Note 1. Summary of Significant Accounting Policies (Continued)

Accounts receivable and allowance for doubtful accounts: Accounts receivable are uncollateralized customer obligations due under normal trade terms requiring payment generally within 30 days from the invoice date. Accounts receivable are stated at the amount billed to the customer. Payments of accounts receivable are allocated to the specific invoices identified on the customer's remittance advice or, if unspecified, are applied to the earliest unpaid invoices.

The carrying amount of accounts receivable is reduced by a valuation allowance that reflects management's best estimate of the amounts that will not be collected. Management reviews all accounts receivable balances and, based on the current creditworthiness, estimates the portion, if any, of the balance that will not be collected. Additionally, management estimates a general allowance covering the aggregate remaining accounts receivable based on historical write-offs. Bad debts are charged against the allowance when management believes the uncollectibility of an account is confirmed. Recoveries are credited to the allowance when received. Bad debt expense was insignificant for the years ended October 31, 2020 and 2019. There was no allowance necessary at October 31, 2020 or 2019.

Inventories: Inventories are valued at the lower of cost or net realizable value on the first-in, first-out (FIFO) basis. The Company periodically reviews inventory levels for obsolete, slow-moving and non-salable inventory and records an allowance against those inventories when deemed necessary.

Property and equipment: Expenditures for property and equipment are recorded at cost and are being depreciated over their estimated useful lives principally using the straight-line method. Expenditures for maintenance and repairs are charged to operations as incurred. Expenditures which significantly extend the lives of assets and major improvements are capitalized. Impairment of asset value is recognized whenever events or changes in circumstances indicate that carrying amounts are not recoverable.

Depreciation expense charged to operations for financial reporting totaled $59,437 in fiscal 2020 and $84,987 in fiscal 2019. Estimated useful lives are as follows:

Building and improvements	39-40 years
Machinery and equipment	5 years
Computer equipment and software	3 years
Furniture and fixtures	3-7 years

Patents: Patents are amortized using the straight-line method over 20 years. Amortization expense was $8,130 and $11,752 for the years ended October 31, 2020 and 2019, respectively. During 2020 and 2019, $5,530 and $12,310, respectively, of fully amortized and expired patents were written off.

At October 31, 2020, the estimated aggregate intangible asset amortization expense for the next five years is as follows:

	Amortization Expense
Year ending October 31,	
2021	$ 7,715
2022	7,683
2023	7,657
2024	9,176
2025	5,786
Thereafter	40,197
	$ 78,214

Note 1. Summary of Significant Accounting Policies (Continued)

Stock-based compensation: The Company accounts for stock-based compensation using the fair value method prescribed by the accounting standards. Compensation expense for stock options is based on the estimated fair value of each option and is amortized over the requisite service period.

Income taxes: The Company recognizes deferred income tax assets and liabilities for expected future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and the tax reporting basis of assets and liabilities.

When tax returns are filed, it is highly certain that some positions taken would be sustained upon examination by the taxing authorities, while others are subject to uncertainty about the merits of the position taken or the amount of the position that would be ultimately sustained. The benefit of a tax position is recognized in the financial statements in the period during which, based on all available evidence, management believes it is more-likely-than-not that the position will be sustained upon examination, including the resolution of appeals or litigation processes, if any. Tax positions taken are not offset or aggregated with other positions. Tax positions that meet the more-likely-than-not recognition threshold are measured as the largest amount of tax benefit that is more than 50% likely of being realized upon settlement with the applicable taxing authority. The portion of the benefits, if any, associated with tax positions taken that exceeds the amount measured as described above is reflected as a liability for unrecognized tax benefits in the accompanying balance sheets along with any associated interest and penalties that would be payable to the taxing authorities upon examination.

Advertising costs: Advertising costs are expensed when incurred and were $16,876 and $33,560 for the years ended October 31, 2020 and 2019, respectively.

Concentration of credit risk: Financial instruments which potentially subject the Company to concentrations of credit risk consist principally of deposits in banks which sometimes exceed federally insured limits and trade accounts receivable. The Company manages the risk regarding deposits in banks by using high credit quality financial institutions. Credit risk with respect to trade receivables is limited due to geographic and industry dispersion and the enforcement of stringent credit policies. Credit losses consistently have been minimal during the Company's history. See Note 12 for further information regarding significant customers and vendors.

Subsequent events: The Company has evaluated subsequent events for potential recognition and/or disclosure through January 18, 2021, the date the financial statements were available to be issued.

Note 2. Revenue

The opening and closing balances of the Company's receivables are stated on the accompanying balance sheets as of October 31, 2020 and 2019. No contract assets and contract liabilities are recorded as of October 31, 2020 and 2019.

The Company's revenue is primarily generated from the sale of products, including chemicals, toners and inks, and hardware. As of the year ended October 31, disaggregated revenue information is as follows:

	2020	2019
Chemicals	$ 2,609,567	$ 3,949,457
Toner and inks	1,591,445	1,748,248
Hardware	88,244	128,439
	$ 4,289,256	$ 5,826,144

Note 2. Revenue (Continued)

Contract terms for unit price, quantity, shipping and payment are governed by sales agreements and purchase orders, which is considered to be a customer's contract in all cases. The unit price is considered the observable standalone selling price for the arrangements and is based upon a standard list price.

Product sales generally consist of a single performance obligation that is satisfied at a point in time. Revenue is recognized when the following events have occurred: (i) physical possession of the product has been transferred; (ii) the Company has a present right to payment; (iii) the customer has legal title to the products; and (iv) the customer bears significant risks and rewards of ownership of the products.

The Company has made a policy election under ASC 606 to exclude taxes it collects from customers that are assessed by a government authority (i.e. sales taxes) from transaction prices.

Sales are invoiced based on received purchase orders. Payment terms range between 30 and 45 days after the performance obligation is satisfied. The majority of customers are on 30 day payment terms. Rights of return on invoiced sales exist only in very limited circumstances and, as a result, no allowance for sales returns is recorded.

The Company has made a policy election under ASC 606 to account for shipping and handling activities as fulfillment activities; therefore, these have not been evaluated as a separate performance obligation. Costs related to such shipping and handling billings are classified as cost of goods sold.

Note 3. Inventories

Inventories consisted of the following at October 31:

	2020	2019
Raw materials and parts	$ 1,841,216	$ 1,894,310
Finished goods	559,998	1,242,548
Total inventories	$ 2,401,214	$ 3,136,858

There was no inventory valuation allowance at October 31, 2020 or 2019.

Note 4. Property, Plant and Equipment, Net

Property, plant and equipment consisted of the following at October 31:

	2020	2019
Building and improvements	$ 985,370	$ 972,634
Machinery and equipment	768,549	765,504
Computer equipment and software	86,946	86,946
Furniture and fixtures	39,221	39,221
Total at cost	1,880,086	1,864,305
Accumulated depreciation	(1,071,454)	(1,012,017)
Total property, plant and equipment, net	$ 808,632	$ 852,288

Note 5. Lines of Credit

On October 30, 2017, the Company entered into a line of credit agreement with a local bank that permitted borrowings up to $2,000,000. Borrowings under the credit line carried an interest rate equal to the Prime rate plus .50%. The line of credit was collateralized by substantially all assets of the Company. According to the terms of the agreement, the Company was required to meet certain financial covenants until both principal and interest payments were paid in full. This line of credit was terminated in connection with the execution of a new line of credit with a different bank on March 14, 2019. The new line of credit also permits borrowings up to $2,000,000, bears interest at the Prime rate (3.25% and 4.75% at October 31, 2020 and 2019, respectively), and matures on March 14, 2021. There were no borrowings outstanding on this line of credit at October 31, 2020 or 2019.

Note 6. Long-Term Debt

On March 14, 2019, the Company entered into a term loan agreement in the amount of $154,525. Proceeds from this term loan were used to pay off the previous term loan with a different bank. The new term loan is collateralized by substantially all assets of the Company and bears interest at a rate of 5.25%. These terms are consistent with the previous term loan. The new term loan requires monthly payments of principal and interest of $2,299 ($2,087 on the previous note) through its maturity date of November 14, 2025. This term note was paid in full during 2020. The outstanding debt on the aforementioned note was $141,674 at October 31, 2019.

On April 13, 2020, the Company entered into a Paycheck Protection Program (PPP) note with a commercial bank related to the CARES Act. The note bears interest at a rate of 1%. Interest and principal payments are deferred for the first six months of the note. Upon commencement of principal payments, all accrued interest is due and payable with the first principal payment. The note requires monthly payments of principal and interest totaling $13,450 and matures on April 13, 2022. Under the CARES Act, the loan is fully forgivable if certain conditions are met. The Company expects the note to be fully forgiven prior to its maturity date.

The aggregate maturities for each of the next two years ending October 31 are as follows:

2021	$	158,570
2022		80,430
Total		239,000
Less current maturities of long-term debt		(158,570)
Net long-term debt	$	80,430

Note 7. Research and Development Costs

Research and development costs, included in selling, general and administrative expense on the statements of operations, amounted to $379,683 and $410,019 during the years ended October 31, 2020 and 2019, respectively.

Note 8. Income Taxes

Income tax (benefit) expense consisted of the following for the year ended October 31:

	2020	2019
Current:		
Federal	$ (38,809)	$ 39,047
State and local	(36,023)	6,624
	(74,832)	45,671
Deferred:		
Federal	(11,477)	(19,230)
State and local	4,147	(2,747)
	(7,330)	(21,977)
Total income tax (benefit) expense	$ (82,162)	$ 23,694

The components of the deferred tax asset are as follows as of October 31:

	2020	2019
Accrued vacation	$ 13,454	$ 10,812
Accrued commissions	21,378	23,321
Stock-based compensation	13,800	32,676
Property and equipment	(22,985)	(20,207)
Inventory capitalization	-	10,565
PPP loan forgiveness	52,580	-
Net operating loss carryforwards	70	-
Total deferred tax asset	78,297	57,167
Valuation allowance	(13,800)	-
Deferred tax asset, net	$ 64,497	$ 57,167

The provision for income taxes differs from the amount computed by applying the statutory federal income tax rate of 21% to income/loss before taxes. The differences are primarily due to state taxes (net of federal benefit) and effects of permanent differences.

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the projected taxable income and tax planning strategies in making this assessment. During the year ended October 31, 2020, the Company recorded a valuation allowance of $13,800 on the deferred tax assets to reduce the total to an amount that management believes will ultimately be realized. There was no other activity in the valuation allowance account during 2020 or 2019. Based on the results of operations, projected taxable income in future years and the Company's tax planning strategies, a valuation allowance was of $13,800 and $0 was recorded as of October 31, 2020 and 2019, respectively.

With few exceptions, the Company is no longer subject to U.S. federal, state and local income tax examinations by tax authorities for fiscal years before 2017.

Note 9. Simple IRA Savings Plan

The Company maintains a Simple IRA savings plan for its employees. The Company is required to make a dollar-for-dollar match, the lesser of up to 3% or $6,000. Employees become eligible to participate in the plan upon the employee's date of hire. Eligible participants may make contributions to the plan by deferring up to $6,000 of their compensation. The Company's contributions were $25,726 and $20,926 for the years ended October 31, 2020 and 2019, respectively.

Note 10. Stock-Based Compensation

During 2010, the Company established the 2010 Equity Incentive Plan (the Plan) to provide an incentive to the directors, officers and employees of the Company through the issuance of options to purchase, or awards of, shares of the Company's common stock. The Board of Directors administers the Plan. The aggregate number of shares of common stock that may be issued under the Plan shall not exceed 9,000,000 shares. The Plan provides for grants of options to purchase, or awards of, shares of common stock as selected from time to time by the Board of Directors. Options granted under the Plan are granted at a price equal to the fair market value of the Company's common stock at the date of grant. The fair value of each option is estimated on the date of grant using the Black-Scholes option-pricing model that uses assumptions as described below. Expected volatilities are based on historical volatility of the Company's stock. The expected term of options granted is derived using the practical expedient for plain vanilla options, which considers options to be exercised halfway between the average vesting date and the contractual term of the option. Forfeitures are recorded when they occur. The risk-free rate for periods within the contractual life of the option is based on the U.S. Treasury yield curve in effect at the time of grant. Assumptions utilized to calculate the grant date fair value of options issued during 2020 are as follows:

Expected volatility	217%
Expected dividends	0%
Expected term (in years)	5
Risk-free rate	0.32%

During 2010, the Board of Directors granted 6,867,500 service-based nonqualified stock options under the Plan. The stock options have an exercise price of $0.02 per share based on the fair value of the Company's common stock on the grant date. The stock options vested immediately upon grant and expired 10 years from the grant date on August 19, 2020. For the year ending October 31, 2020, the Company received cash proceeds of $11,500 from the exercise of 575,000 stock options ($0 for the year ending October 31, 2019). During 2020, the Company modified these options to extend the contractual life of 6,027,500 fully vested share options held by 5 employees and 6 directors by an additional 10 years. No other terms of the options were modified. These options have a grant date fair value of $.03. As a result of that modification, the Company did not recognize any additional compensation expense for the year ended October 31, 2020.

On February 8, 2018, the Board of Directors granted 680,000 service-based non-qualified stock options under the Plan. The stock options have an exercise price of $.03 per share based on the fair value of the Company's common stock on the grant date. The stock options vest over a period of three years and will expire 10 years from the grant date. At October 31, 2020 and 2019, unvested shares have a grant date fair value of $.02 and totaled 226,667 and 453,333, respectively.

Note 10. Stock-Based Compensation (Continued)

Option activity for the years ended October 31, 2020 and 2019 is summarized below:

	Options	Weighted Average Exercise Price	Weighted Average Remaining Life	Intrinsic Value
Outstanding at November 1, 2018	7,447,500	$ 0.02	2.5 years	$ -
Granted	-	-		
Exercised	-	-		
Forfeited or expired	-	-		
Outstanding at October 31, 2019	7,447,500	0.02	1.5 years	$ 148,950
Granted	6,027,500	0.03		
Exercised	(575,000)	0.02		
Forfeited or expired	(6,192,500)	0.02		
Outstanding at October 31, 2020	6,707,500	$ 0.03	9.6 years	$ -
Vested and exercisable at October 30, 2020	6,480,833	$ 0.03		

Stock-based compensation expense totaled $5,536 for the years ended October 31, 2020 and 2019. At October 31, 2020, there is $5,536 of unrecognized compensation expense that will be expensed in fiscal 2021.

Note 11. Related Party Transactions

The Company is required by agreement to assign to certain former executives a one-third interest in any patents or other intellectual property created by the executives that is used in the Company's business. The Company is required to pay the former executives a royalty computed at 5% of the gross profit (difference between selling price and direct manufacturing cost, exclusive of overhead) from use of such intellectual property. In the event of termination of such agreement by the Company, the Company shall have the right to continue to retain exclusive use of the patents and other intellectual properties by paying the former executives an amount equal to 10% of gross revenues from products sold which utilize such intellectual property; otherwise, the Company may retain a nonexclusive license to use such intellectual property for a fee of 5% of gross revenues from products sold utilizing such patents. During the years ended October 31, 2020 and 2019, the Company paid royalties to former executives in the amount of $1,782 and $2,962, respectively.

The Company paid board members a total of $268,547 and $267,175 for consulting services in fiscal 2020 and 2019, respectively. Amounts owed to board members for services rendered comprised $18,838 and $12,500 of the accounts payable balance at October 31, 2020 and 2019, respectively.

Note 12. Business Concentrations

The Company is vulnerable to credit risk due to its concentration of sales to its customers. For the year ended October 31, 2020, sales to two customers represented 73% of total sales. These customers accounted for approximately 64% of the trade accounts receivable balance at October 31, 2020. For the year ended October 31, 2019, sales to three customers represented 77% of total sales. These customers accounted for approximately 74% of the trade accounts receivable balance at October 31, 2019.

For the year ended October 31, 2020, the Company's three largest vendors accounted for 91% of purchases. For the year ended October 31, 2019, the Company's two largest vendors accounted for 73% of purchases. There were no outstanding trade accounts payable balances to these vendors at October 31, 2020 and 2019.

Note 13. Legal Contingencies

The Company is subject to certain litigation claims arising out of the normal course of business. While the impact on future financial results is not subject to reasonable estimation because uncertainty exists, management believes, after consulting with legal counsel, that the ultimate liabilities resulting from such litigation and claims will not materially affect operating results, liquidity or financial position of the Company.