BONAL INTERNATIONAL INC®

2020

Annual Report

B O N A L I N T E R N A T I O N A L , I N C .

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2020

Annual Report

Contents

BONAL INTERNATIONAL, INC.

Bonal International, Inc. (traded under the symbol “**BONL**”), through its wholly-owned subsidiary Bonal Technologies, Inc., is the world’s leading provider of sub-harmonic vibratory metal stress relief technology and the manufacturer of Meta-Lax stress relieving, Black Magic Distortion Control and Pulse Puddle Arc Welding equipment. Headquartered in Royal Oak, Michigan, Bonal also provides a complete variety of consulting, training, program design and metal stress relief services to several industries including: automotive, aerospace, shipbuilding, machine tool, plastic molding and die casting, to mention a few. Bonal’s patented products and services are sold throughout the U.S. and in over 61 foreign countries.

Financial Highlights

Year Ending March 31	2020	2019	2018
Total Revenues	$1,481,162	$1,602,768	$2,292,208
Gross Profit	968,146	1,130,347	1,699,646
Net Earnings	(49,950)	51,990	284,753
Total Assets	1,556,348	1,706,538	1,809,857
Working Capital	1,451,895	1,584,373	1,527,780
Earnings per Share	(0.03)	0.03	0.16
Stockholders’ Equity	1,478,788	1,616,134	1,564,144
Trading Activity Hi / Low	2.15 / 1.28	2.30 / 1.40	2.00 / 1.30
Dividend Paid per Share	0.05	0.00	0.10

Fiscal 2020 Quarters Ended

(unaudited)

	June 30	Sept 30	Dec 31	March 31, 2020
Total Revenues	408,080	388,081	419,834	265,167
Gross Profit	284,025	266,438	297,835	119,848
Net Earnings	2,942	20,545	5,965	(79,402)

Fiscal 2019 Quarters Ended

(unaudited)

	June 30	Sept 30	Dec 31	March 31, 2019
Total Revenues	412,281	444,406	341,345	404,736
Gross Profit	296,552	328,108	229,173	276,541
Net Earnings	102	23,807	(4,879)	32,960

Sales Breakdown for Fiscal Year 2020

Equipment and Service Revenue	Rental Revenue
$1,388,392	$92,770

March 31, 2020

Dear Shareholders,

Bonal International, Inc. finished fiscal year 2020 impacted by COVID-19, similar to the vast majority of other small businesses in the North American manufacturing industry. Before the pandemic hit, Bonal was doing well. Accordingly, in the third the quarter, the board of directors issued a dividend. This was the twenty-third time in the last 15 fiscal years that a dividend was issued. The dividend was for $0.05 per share. A weak fourth quarter and a $22,529 inventory adjustment, however, led to a loss of $49,950 for the fiscal year. This was the first time Bonal reported an annual loss in 16 years.

Even though fiscal year 2020 financial results did not meet our expectations, Bonal did make progress toward future growth in three areas.

- This was the first full year that we offered our new Model 2800 computerized Meta-Lax stress relief system. Sales from this system accounted for 22 percent of our sales by volume which was higher than initial projections. The Model 2800 also completed our product lineup in that we now offer the most advanced state-of-the-art stress relief system on the market.
- Bonal implemented a major update to our web site (www.Bonal.com). The new web site includes all of the information from our previous web site—such as a detailed explanation of our patented Meta-Lax technology and our Photo Gallery (with 120 photos)—and adds new sections such as Customer Testimonials and Case Studies. Analytics indicate that our new web site is generating 50 percent more leads than its predecessor.
- Bonal was able to exhibit in seven industrial trade shows. Leads from these trade shows should put us in a good position for future sales as the global industrial markets begin to reopen.

During the year we observed an unexpected, but positive trend. All of the sales from “referred” companies were for our new computer-controlled system. Some of the well-known companies that ordered additional Meta-Lax equipment this year included Ford Motor, Komatsu, Tigercat, Israeli Aerospace, and Northern Natural Gas.

As the industrial metalworking industry recovers from the pandemic, three emerging trends have become evident:

- Higher quality is actively being pursued. According to a survey conducted by ETQ as referenced in Manufacturing Engineering, (June 2020) “companies are investing in quality as a strategic business growth initiative” and further noted that “good quality is adding an average 11 percent to their revenues.” This trend is important because Bonal’s Meta-Lax process enables manufacturers and fabricators to produce products with considerably higher quality. Meta-Lax equipment will help these quality-conscious companies achieve their goals and increase revenue.

- Businesses are reopening with a need to catch-up on past work. Since our Meta-Lax stress relieving process is eight times faster than heat treat stress relief, our Meta-Lax products should help our customers speed up production.
- Business is returning to North America. According to Stamping Journal (June 2020), “Nearly 50 percent of North American tooling shops are quoting on programs that were historically produced in China with another 34 percent of the production shops increasing North American sourcing.” This should make the companies in Bonal’s target markets experience a sizable influx in business through the coming months and years.

Looking ahead to fiscal year 2021, Bonal will be addressing a unique situation. Industry is increasing its demand for higher quality, companies will be faced with significant catch-up work, and there will be a substantial increase in domestic production. Meanwhile, Bonal’s new state-of-the-art computerized system, which is already out-performing expectations, will be available to meet the needs of the industry in a post-pandemic world. When those factors are viewed together, fiscal year 2021 should provide Bonal with some extraordinary opportunities.

On behalf of the board of directors, thank you for your continued support.

Sincerely,

Thomas E Hebel

Thomas E. Hebel
Chairman

In memory of:
We express sorrow at the loss of our long time friend and board member, George W. Harrison, III, who passed away on July 21, 2020. He served Bonal as a member of the board of directors from 2014 until 2020. We greatly appreciated his contributions over the years. He will be missed.

Cohen & Co

Independent Accountants' Review Report

Board of Directors and Stockholders
Bonal International, Inc. and Subsidiary

We have reviewed the accompanying consolidated financial statements of Bonal International, Inc. and Subsidiary (the "Company"), which comprise the consolidated balance sheet as of March 31, 2020, and the related consolidated statements of operations, stockholders' equity, and cash flows for the year then ended, and the related notes to the consolidated financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquires of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the consolidated 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 consolidated 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 the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. 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 consolidated 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 review, we are not aware of any material modifications that should be made to the accompanying consolidated financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Report on March 31, 2019 and 2018 Financial Statements

The March 31, 2019 and 2018 financial statements were audited by us and we expressed an unmodified opinion on them in our reports dated June 25, 2019 and June 27, 2018, respectively. We have not performed and auditing procedures since those dates.

Detroit, Michigan
July 30, 2020

Cohen & Company Ltd.

	March 31, 2020	March 31, 2019
Assets		
Current Assets		
Cash and cash equivalents	$ 823,450	$ 872,527
Accounts receivable-trade, net	89,358	124,157
Inventories, net	501,131	609,716
Prepaid expenses and other current assets:		
Prepaid expenses	27,132	15,546
Refundable income taxes	49,021	12,000
Other current assets	39,363	40,831
Total current assets	1,529,455	1,674,777
Property and Equipment - Net	20,393	17,861
Deferred Tax Asset	6,500	13,900
Total assets	**$ 1,556,348**	**$ 1,706,538**
Liabilities and Stockholders' Equity		
Current Liabilities		
Accounts payable	$ 5,179	$ 18,603
Accrued and other current liabilities:		
Accrued compensation	34,770	30,730
Customer deposits and advances	15,790	8,000
Other accrued liabilities	21,812	33,071
Total current liabilities	77,560	90,404
Stockholders' Equity	1,478,788	1,616,134
Total liabilities and stockholders' equity	**$ 1,556,348**	**$ 1,706,538**

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Operations

	Year End March 31, 2020	2019	2018
Net Sales			
Contract revenue	$ 1,388,392	$ 1,423,959	$ 2,084,338
Rental revenue	92,770	178,809	207,870
Total net sales	1,481,162	1,602,768	2,292,208
Cost of Sales	513,016	472,394	592,562
Gross Profit	968,146	1,130,374	1,699,646
General and Administrative Expenses	1,056,367	1,075,396	1,303,443
Operating Income (Loss)	(88,221)	54,978	396,203
Nonoperating Income (Expense)			
Interest income	11,012	8,631	4,930
Other expense	(1,055)	(935)	(1,330)
Total nonoperating income	9,957	7,696	3,600
Income (Loss) - Before income taxes	(78,264)	62,674	399,803
Income Tax Expense (Benefit)	(28,314)	10,684	115,050
Net Income (Loss)	**$ (49,950)**	**$ 51,990**	**$ 284,753**
Per-Share Data - Net Income (Loss)	$ (0.03)	$ 0.03	$ 0.16
Average Number of Shares Used in per Share Computation	1,747,922	1,747,922	1,747,922

The accompanying notes are an integral part of these consolidated financial statements.

	Class A Common Stock	Class B Common Stock	Additional Paid-in Capital	Retained Earnings	Total
Balance - April 1, 2017	**$ 8,740**	**$ -**	**$ 688,212**	**$ 757,231**	**$1,454,183**
Net Income	-	-	-	284,753	284,753
Dividends ($0.10 per share)	-	-	-	(174,792)	(174,792)
Balance - March 31, 2018	**8,740**	-	**688,212**	**867,192**	**1,564,144**
Net Income	-	-	-	51,990	51,990
Balance - March 31, 2019	**8,740**	-	**688,212**	**919,182**	**1,616,134**
Net Loss	-	-	-	(49,950)	(49,950)
Dividends ($0.05 per share)	-	-	-	(87,396)	(87,396)
Balance - March 31, 2020	**$ 8,740**	**$ -**	**$ 688,212**	**$ 781,836**	**$1,478,788**

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Cash Flows

	Year End March 31,		
Cash Flows Provided by (Used in) Operating Activities	**2020**	**2019**	**2018**
Net income	$ (49,950)	$ 51,990	$ 284,753
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Reduction in allowance for bad debts	(8,074)	-	-
Depreciation and amortization	8,180	8,203	11,717
Deferred income taxes	7,400	(3,600)	11,300
Net change in:			
Accounts receivable - trade, net	42,873	21,609	(65,302)
Inventories, net	108,585	(40,775)	(99,041)
Prepaid expenses and other	(10,118)	4,689	50,599
Refundable income taxes	(37,021)	(12,000)	-
Accounts payable	(13,424)	(20,607)	22,985
Accrued liabilities and other	580	(122,702)	122,062
Net cash provided by (used in) operating activities	49,031	(113,193)	339,073
Cash Flows Used in Investing Activity			
Purchase of property and equipment	(10,712)	-	(8,773)
Cash Flows Used in Financing Activity			
Dividends paid	(87,396)	-	(174,792)
Net Increase (Decrease) in Cash and Cash Equivalents	(49,077)	(113,193)	155,508
Cash and Cash Equivalents - Beginning of year	872,527	985,720	830,212
Cash and Cash Equivalents - End of year	**$ 823,450**	**$ 872,527**	**$ 985,720**

The accompanying notes are an integral part of these consolidated financial statements.

Note 1 - Nature of Business and Summary of Significant Financial Accounting Policies

Principles of Consolidation – The accompanying consolidated financial statements include the accounts of Bonal International, Inc. and its wholly - owned subsidiary, Bonal Technologies, Inc. (collectively, the "Company"). All material intercompany accounts and transactions have been eliminated in the accompanying consolidated financial statements.

Nature of Business – Headquartered in Royal Oak, Michigan, Bonal Technologies, Inc. provides a complete variety of consulting, training, program design, and metal stress relief services to several industries including: automotive, aerospace, mining, petroleum, shipbuilding, welding, machine tooling, plastic molding, racing, engine building, armament, and die casting. The Company's patented technology and its three distinct product lines: (1) Meta-Lax Stress Relief, (2) Pulse Puddle Arc Welding (PPAW), and (3) Black Magic, are sold throughout the United States and in over 61 countries.

Basis of Accounting – The Company maintains its books on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

Concentrations of Credit Risk – The Company primarily deposits cash with financial institutions and at times throughout the year may maintain balances that exceed federally insured limits of $250,000, per depositor, per insured institution. The total uninsured balance at March 31, 2020, is approximately $41,000. The Company has not experienced any losses in such accounts, and management believes the Company is not exposed to any unusual credit risk on cash and cash equivalents.

The Company had four customers that accounted for approximately 69% and three customers that accounted for approximately 47%, of accounts receivable-trade, net at March 31, 2020 and 2019, respectively. Due to the nature of the Company's business, the customers that comprise these concentrations change from year to year.

Use of Estimates – The preparation of consolidated financial statements in conformity with GAAP 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 consolidated financial statements and the reported amounts of revenue and expenses during the reporting year. Actual results could differ from those estimates.

Cash and Cash Equivalents – The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Accounts Receivable-Trade, Net – The Company values its accounts receivable at invoice amounts. The carrying amount of accounts receivable is reduced by a valuation allowance that reflects management's best estimate of amounts that will not be collected. Management assesses the collectability of the individual accounts receivable balance based on historical collectability and estimates the portion, if any, of the individual balances that will not be collected. Uncollectible amounts are written off as a charge against the valuation allowance in the period that such determination is made. The allowance for doubtful accounts as of March 31, 2020 and 2019, was approximately $3,000 and $14,000, respectively.

Note 1 - Nature of Business and Summary of Significant Financial Accounting Policies (Continued)

Inventories – Inventories consist of raw materials, work in progress, and finished goods and are stated at the lower of cost, determined on the first-in, first-out (FIFO) method, or net realizable value. Finished goods includes a rental fleet for units rented to customers on a short term basis. At March 31, 2020 and 2019, approximately $86,000 and $61,000, respectively, relate to rental units within finished goods. A valuation allowance is provided for obsolete and slow moving inventory to write down costs to net realizable value. The Company has recorded an obsolescence reserve as of March 31, 2020 and 2019, of 10,000 and $47,000, respectively.

Property and Equipment – Property and equipment are recorded at cost. Depreciation and amortization are provided on the accelerated and straight-line methods, and computed over the estimated useful lives of the related assets, which range from 3-10 years. Major improvements and renewals are capitalized while ordinary maintenance and repairs are expensed. The cost and related accumulated depreciation and amortization of assets sold or otherwise disposed of during the year are removed from the accounts. Any gain or loss is reflected in the year of the disposal.

Management reviews these assets for impairment whenever events or changes in circumstances indicate that their carrying value may not be recoverable.

Revenue Recognition and Adoption of New Accounting Pronouncement – In May 2014, the Financial Accounting Standards Board (FASB) issued guidance (Accounting Standards Codification [ASC] 606, *Revenue from Contracts with Customers*) which provides a five-step analysis of contracts to determine when and how revenue is recognized and replaces most existing revenue guidance in U.S. generally accepted accounting principles. The core principle of the new guidance is that an entity should recognize revenue to reflect the transfer of goods and services to customers in an amount equal to the consideration the entity receives or expects to receive. ASC 606 is effective for annual reporting periods beginning after December 15, 2018. The Company adopted the provisions of ASC 606 using the modified retrospective approach. The adoption of ASC 606 did not have a material impact on the Company's financial statements, although the financial statement presentation and disclosures have changed. See Note 4 for further discussion regarding the transition method.

Concurrent with the adoption of ASC 606, the Company, due to the nature of its remaining performance obligations under its contracts with customers, has elected the following practical expedients and policy elections available under ASC 606-10-50: (1) to apply certain practical expedients available with respect to disclosure requirements, (2) the transaction price is not adjusted for any significant financing component, as the expected time period between when the Company transfers the promised goods to the customer and payment is less than one year, (3) incremental costs of obtaining a contract are expensed when the amortization period is one year or less, (4) ASC 606 is applied to a portfolio of contracts (or performance obligations) with similar characteristics, (5) all shipping and handling activities are accounted for as activities to fulfill the promise to transfer the good, not as a separate performance obligation, (6) the transaction price excludes tax amounts assessed by governmental authorities that are both (i) imposed on and concurrent with a specific to nonpublic companies with respect to disclosure requirements and (ii) collected from customers.

Note 1 - Nature of Business and Summary of Significant Financial Accounting Policies - (Continued)

Revenue Recognition (continued) - The Company's revenues primarily result from the sale of new and used metal stress relief products and accessories and related rental, servicing, repair, and training services. The issuance of a purchase order is generally the point at which a contract is identified for accounting and financial reporting purposes. The Company recognizes revenue for the sale of new and used units, and the related servicing, repair and training services when the Company satisfies its performance obligation under the contract by transferring the promised product or service to the customer when (or as) the customer obtains control of the product or service. For products, this generally happens at the point of shipment. Products sold by the Company are delivered via shipment from the Company's facilities. For services, this happens upon completion of the service. The Company's contracts primarily consist of a single performance obligation.

Rental revenues continue to be recognized under ASC 840, *Leases*. Rental revenues are recognized over time as the customer receives/consumes the benefit, typically monthly. Generally, rental customers are required to provide security deposits at the inception of the contract. Any remaining deposits are returned within 30 days of the end of the contract.

The Company provides a warranty for its products. Such warranties, however, are limited to standard contractually based periods and are not separately sold, and are considered to be assurance-type warranties that are not separate performance obligations.

Revenue Recognition Prior to the Adoption of ASC 606 - Prior to the adoption of ASC 606, the Company generally recognized revenue when delivery had occurred and the collectability of the selling price was reasonably assured. Provisions for discounts, estimated returns and allowances, and other adjustments were provided for in the same period that related revenues were recorded.

Income Taxes – Deferred tax assets and liabilities are recognized for the future tax benefits and consequences attributable to differences between the consolidated financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized.

The Company recognizes and discloses uncertain tax positions in accordance with GAAP. As of March 31, 2020 and 2019 and for the years ended March 31, 2020, 2019, and 2018, the Company did not have a liability for unrecognized tax benefits.

Earnings per Common Share – Earnings per common share are based on the number of common shares outstanding at the end of the year.

Reclassifications – Certain prior year amounts have been reclassified to conform with current year presentation.

Note 1 - Nature of Business and Summary of Significant Financial Accounting Policies (Continued)

Subsequent Events – Management has evaluated subsequent events through July 30, 2020, the date the financial statements were available to be issued.

Note 2 - Inventories

Major classes of inventories are as follows:

	2020	2019
Raw materials	$ 174,579	$ 259,940
Work in progress	109,269	207,945
Finished goods	227,354	188,814
Total	**511,202**	**656,699**
Reserve for obsolescence	(10,071)	(46,983)
Total Inventories, Net	**$ 501,131**	**$ 609,716**

Note 3 - Property and Equipment

Major classes of property and equipment are as follows:

	2020	2019
Machinery and equipment	$ 55,936	$ 55,366
Displays	29,078	28,272
Transportation equipment	46,448	46,448
Office furniture and equipment	262,126	253,458
Leasehold improvements	9,092	9,092
Total cost	**402,680**	**392,636**
Accumulated depreciation and amortization	(382,287)	(374,775)
Property and Equipment - Net	**$ 20,393**	**$ 17,861**

Depreciation and amortization expense was $8,180, $8,203, and $11,717 for the years ended March 31, 2020, 2019, and 2018, respectively.

Note 4 – Revenue

Modified Retrospective Transition Method - As discussed in Note 1, the Company adopted the requirements of ASC 606 as of April 1, 2019, utilizing a modified retrospective method of transition, which requires the recognition of the cumulative effect of initially applying the new guidance as an adjustment to the opening balance of retained earnings at April 1, 2019. No such adjustment was necessary. Therefore, the comparative information has not been adjusted and continues to be reported under prior revenue guidance.

Note 4 – Revenue (Continued)

Modified Retrospective Transition Method (continued) - As part of the adoption of ASC 606, the Company elected to use the following transition practical expedients: (1) all contract modifications that occurred prior to the date of initial application when identifying the satisfied and unsatisfied performance obligations, determining the transaction price, and allocating the transaction price have been reflected in the aggregate; and (2) ASC 606 is applied only to contracts that are not completed at the initial date of application. Because contract modifications are minimal, there is not a significant impact as a result of electing these practical expedients.

The adoption of ASC 606 did not have a significant impact on the Company's financial position, results of operations, or cash flows for 2019. The majority of the Company's revenue arrangements generally consist of a single performance obligation to transfer promised goods or services. Based on the Company's evaluation of its contracts with customers, the timing and amount of revenue recognized previously is consistent with how revenue is recognized under the new standard.

Note 5 - Income Taxes

The provision for income taxes consists of the following for the years ended:

	2020	2019	2018
Current expense (benefit)	$ (35,714)	$ 14,284	$ 103,750
Deferred expense (benefit)	7,400	(3,600)	11,300
Net income tax expense (benefit)	$ (28,314)	$ 10,684	$ 115,050

A reconciliation of the provision for income taxes to income taxes computed by applying the statutory United States federal tax rate to income before taxes is as follows:

	2020	2019	2018
Income tax expense (benefit) - Computed at 21%, 21%, and 31% of pretax income respectively	$ (16,429)	$ 13,162	$ 123,939
State income taxes	-	525	4,750
Rate differential on net operating loss carryback	(4,687)	-	-
Effect of nondeductible expense	620	557	1,103
Effect of tax credits and special deductions	(5,500)	(8,431)	(22,081)
Effect of adjustment of prior year estimates and other	(2,318)	4,871	939
Income tax expense (benefit) before effect of TCJA	(28,314)	10,684	108,650
Effect of TCJA on deferred tax assets and liabilities	-	-	6,400
Net income tax expense (benefit)	$ (28,314)	$ 10,684	$ 115,050

At March 31, 2020 and 2019, gross deferred tax assets and gross deferred tax liabilities were comprised of the following:

	2020	2019
Gross deferred tax assets	$ 10,300	$ 17,100
Gross deferred tax liabilities	(3,800)	(3,200)
	$ 6,500	$ 13,900

Note 5 - Income Taxes (Continued)

Deferred tax assets result primarily from differences in the year of deductibility of certain expenses. Deferred tax liabilities result from different methods used for depreciation for financial reporting and income tax purposes. The net deferred tax asset totaled $6,500 and $13,900 as of March 31, 2020 and 2019, respectively. The Company had no valuation allowance on its deferred tax asset in either year.

The Tax Cuts and Jobs Act of 2017 (TCJA) was signed into law on December 22, 2017. Based on the changes in the new tax law, the Company remeasured deferred tax assets and liabilities at the newly enacted rates. As disclosed above, management has recorded tax expense of approximately $6,400 in 2018 due to the re-measurement of deferred tax assets and liabilities.

Note 6 - Commitments

Leases

The Company leases office and warehouse space under a long-term operating lease expiring in fiscal year 2021. Minimum annual rentals are as follows:

2021	$ 29,648

Rent expense amounted to $70,643, $69,417, and $68,190, for the years ended March 31, 2020, 2019, and 2018 respectively.

Unit Exchanges

In the prior year, the Company entered into an agreement with various customers related to the exchange of certain metal stress-relieving equipment. At the option of the customer, the Company will replace an earlier production version of the equipment held by the customer for a production version with updated software. At March 31, 2020, approximately $8,000 of the finalized production units are being held in finished goods inventory, awaiting to be exchanged at the customer's request for the earlier version of the equipment. The Company has determined that the value of the earlier version of the equipment currently held at customer sites amounts to approximately $9,000 at March 31, 2020, and these units will be placed into rental inventory upon exchange. The Company has determined that any offset between the cost of the updated production units and the recovery of cost related to the earlier version to be immaterial, and as a result, no adjustments were made to the consolidated financial statements.

Note 7 - Employment Agreement

During 2018, the Company entered into an employment agreement with its President that was to expire in June 2020. The agreement can be extended annually thereafter. During the year ended March 31, 2020, the agreement was extended for one year to June 30, 2021. The Company has also entered into a consulting agreement with the President, which is effective for a five year term upon the retirement of the President from the Company.

Note 8 - Stockholders' Equity

The Company's stock at March 31, 2020 and 2019, consists of the following:

- Class A common, voting stock, 5,000,000 authorized shares, with $.005 par value. A total of 1,747,922 shares were issued and outstanding at March 31, 2020 and 2019.

- Class B common, nonvoting stock, 5,000,000 authorized shares, with $.01 par value. There were no shares issued or outstanding at March 31, 2020 and 2019.

- Preferred stock, 200,000 authorized shares, with $.01 par value. There were no shares issued or outstanding at March 31, 2020 and 2019.

Note 9 - Employee Benefit Plan

The Company sponsors a 401(k) plan that provides retirement benefits for its employees according to the provisions of the plan document. There were no contributions made by the Company during the years ended March 31, 2020, 2019, and 2018.

Note 10 – Related Party Transactions

The Company utilizes services from multiple entities owned by shareholders of the Company. Amounts paid for related party services totaled approximately $21,000 and $22,000 for the years ended March 31, 2020 and 2019.

The Company provides compensation to members of their Board of Directors, who are also shareholders of the Company. Board member compensation totaled approximately $35,500, $49,000, and $42,000 for the years ended March 31, 2020, 2019, and 2018 respectively. Included in accounts payable at March 31, 2020 and 2019 is approximately $2,500 due to related parties.

Note 11 – Subsequent Events

As a result of the spread of the COVID-19 coronavirus during 2020, economic uncertainties have arisen as of the date of the financial statements. The extent of the impact of COVID-19 on the Company's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on the Company's customers, employees, and vendors, all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact the Company's financial condition or results of operations is uncertain.

The Letter from the Chairman within this report contains "forward-looking statements" within the meaning of the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995. Forward-looking statements can be identified by words such as: "goal," "believe," "focus" and "will" and similar references to future periods. Forward-looking statements are based on our current beliefs, expectations and assumptions regarding the future of our business, future plans and strategies, projections, anticipated events and trends, the economy and other future conditions. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict and many of which are outside of our control. Our actual results and financial condition may differ materially from those indicated in the forward-looking statements. Therefore, you should not rely on any of these forward-looking statements. Important factors that could cause our actual results and financial condition to differ materially from those indicated in the forward-looking statements include economic and industry conditions, actions of competitors, commodity and labor costs, and other factors. Any forward-looking statement made by us in said letter is based only on information currently available to us and speaks only as of the date on which it is made. We undertake no obligation to publicly update any such statements, whether written or oral, that may be made from time to time, whether as a result of new information, future developments or otherwise.

Corporate Information

Trading Symbol: BONL
CUSIP Number: 097-770-200

Directors and Officers

① ④ **Thomas E. Hebel**
Chairman, President and CEO

① ④ **Paul Y. Hebel**
Director and Vice Chairman

② ③ ④ **Harold Y. Hebel, C.P.A.**
Director, Treasurer, and CFO

④ **John A. Hebel**
Director and Secretary

① ② ③ ④ **George W. Harrison, III**
Director

④ **Betty Jean Hebel, Ph.D.**
Director

① Executive Committee
② Audit Committee
③ Compensation Committee
④ Nominating Committee

Corporate Headquarters

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Independent Accountants

Cohen & Company, Ltd.
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Detroit, MI 48226

Transfer Agent

Pacific Stock Transfer Company
6725 Via Austi Parkway, Suite 300
Las Vegas, NV 89119

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