

Fortran Corporation and Subsidiaries

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2013 AND JUNE 30, 2012

Basis of Presentation and Description of Business

1. Basis of Presentation and Description of Business

Basis of Presentation

The accompanying unaudited condensed financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for annual financial information and pursuant to the rules and regulations of the Securities and Exchange Commission. Accordingly, they include all of the information and footnotes required by generally accepted accounting principles for complete financial statements.

In the opinion of management, the unaudited condensed financial statements contain all adjustments consisting only of normal recurring accruals considered necessary to present fairly the Company's financial position and the result of operations for the periods presented.

Description of Business

The Company is primarily engaged in the long-term rental of telecommunications equipment. The Company also has begun pursuing expansion into the telecom equipment sales market. The Company is headquartered in Hickory, North Carolina and rents and sells primarily to small local businesses throughout North and South Carolina.

2. Summary of Significant Accounting Policies

The accompanying financial statements and notes are prepared in accordance with accounting principles generally accepted in the United States of America.

Cash and Cash Equivalents

The Company considers cash equivalents to be those investments which are highly liquid and readily convertible to cash with a maturity date within three months of the date of purchase.

Account Receivable

The Company extends credit to non-rental customers without requiring collateral. Credit extended to rental customers is secured by the related rental equipment, to which the Company retains title during the term of the rental agreement. The Company uses the allowances method to provide for doubtful accounts based on an evaluation of the collectability of accounts receivable. This evaluation is made by management based on the Company's historical collection experience and a review of past-due amounts. The Company considers accounts receivable to be delinquent when greater than 30 days past due. Accounts receivable are written off when it is determined that amounts are uncollectible.

Equipment Held for Sale

Equipment held for sale is stated at the lower of cost or market. Cost is determined on a first-in, first-out (FIFO) basis. When such equipment is sold, the cost is recorded in cost of sales. The Company records reserves, as needed, to reduce the value of equipment held for sale to the lower of cost or market, including reserves for excess and obsolete equipment was deemed necessary based on management's estimate of the value of the equipment held for sale.

Rental Equipment

Rental equipment is carried at cost, net of accumulated depreciation. Depreciation for all rental equipment is provided using the straight-line method, which is intended to match as closely as practicable the recognition of depreciation expense with the consumption of the rental equipment, and assumes no salvage value.

Rental equipment is depreciated by the Company over an average useful life of 15 years. This useful life was determined to be reasonable by the Company based on historical experience and consideration of the average age of rental equipment at customer sites.

Rental equipment which is damaged and inoperable, or not returned by the customer, is expensed when such impairment occurs. Any minor repairs made to rental equipment are expensed at the time of the repair.

Costs incurred by the Company to install rental equipment at a customer's location at inception of the rental agreement are capitalized and depreciated over the base term of the rental agreement.

Earnings (Loss) Per Share

- (i) The Company reports earnings (loss) per share in accordance with Statement of Financial accounting Standard (SFAS) No.128. This statement requires dual presentation of basic and diluted earnings per share amounts are based on the weighted average share of common outstanding. If applicable, diluted earnings per share assume the conversion, exercise or issuance of all common stock instruments such as options, warrants and convertible securities, unless the effect is to reduce a loss or increase earnings per share. Accordingly, this presentation has been adopted for the periods presented. There were no adjustments required to net income for the period presented in the computation of diluted earnings per share. There were no common stock equivalents (CSE) necessary for the computation of diluted income (loss) per share.

Fixed Assets

Office Equipment, vehicles and computer software are carried at cost, net of accumulated depreciation and amortization. Depreciation and amortization is provided using the straight-line method over the estimated useful lives of the assets, which range from three to seven years. Leasehold improvements are amortized using the straight-line method over the estimated useful lives of the assets or the terms (including renewal periods, as appropriate) of the related leases, whichever is shorter.

When fixed assets are sold or retired, their costs and accumulated depreciation or amortization are eliminated from the accounts and any gain or loss resulting from their disposal is included in the statement of operations.

The Company incurs repair and maintenance expenses on its vehicles and equipment. These expenses are recognized when incurred, unless such repairs significantly extend the life of the asset, in which case the cost of the repairs is amortized over the remaining useful life of the asset utilizing the straight-line method.

Impairment of Long-lived Assets

In accordance with SFAS NO.144, "Accounting for the Impairment or Disposal of Long-lived Assets", the Company reviews long-lived assets, such rental equipment and fixed assets, for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset group may not be fully recoverable. Recoverability of asset groups to be held and used is measured by a comparison of the carrying amount of an asset group to estimated undiscounted future cash flows expected to be generated by the asset group. If the carrying amount exceeds its estimate future cash flows, an impairment charge is recognized as the amount by which the carrying amount of an asset group exceeds the fair value of the asset group. The Company evaluated its long-lived assets and no impairment charges were recorded for any of the periods presented.

Income Taxes

Income taxes are accounted or I accordance with SFAS No.109, "Accounting for Income Taxes". A deferred tax asset or liability is recorded for all temporary differences between financial and tax reporting and for net operating loss carry forwards.

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 the entire deferred tax asset will not be realized. Deferred tax assets and liabilities are adjusted for the effect of changes in tax laws and rates on the date of enactment.

Revenue Recognition

Revenue from equipment sales and installation, equipment relocation services, contract termination fees and services provided on an as-needed basis to non-rental customer for maintenance, repairs, and technical support are recognized in accordance with Securities and Exchange Commission ("SEC") Staff Accounting bulletin No.104, "Revenue Recognition" ("SAB 104"). According to SAB 104, revenue should be recognized when persuasive evidence of an arrangement exists, delivery has occurred and/or services have been rendered, the price is fixed or determinable and collectability is reasonably assured.

The Company's rental agreements contain multiple components, which include (i) the rental of equipment, (ii) the installation of rental equipment and (iii) other services to be provided by the Company, as needed, during the term of the agreement for maintenance, repairs and technical support. These three components represent separate units of accounting. Revenue attributable to the rental component is accounted for as an operating lease and recognized on a straight-line basis over the term of the rental agreement, in accordance with Statement of Financial Accounting Standards ("SFAS") No.13, "Leases". Revenue attributable to the installation component is recognized when the related services have been performed, as long as all other SAB104 recognition criteria have been met. Revenue attributable to the service component is recognized on a straight-line basis over the rental agreement term, in accordance with Financial Accounting Standards Board ("FASB") Technical Bulletin 90-1. All three components are reported in the accompanying statement of operations as rental income.

When payment is received from a customer before the related revenue meets the recognition criteria of SAB 104, the revenue is deferred on the date of payment and later recognized in the statement of operations when all recognition criteria have been met.

Product Warranties

The Company recognizes a liability, when material, for the estimated claims that may be paid under warranty provisions associated with equipment sales. These warranties extend over periods ranging from one to two years from the date of sales. The Company records the provision for estimated future warranty claims as cost of sales based upon the historical relationship of warranty claims to sales and specifically identified warranty issues. The Company bases its estimates on assumptions that are believed to be reasonable under the circumstances and revises its estimates, as appropriate, when events or changes in circumstances indicate that revisions may be necessary.

Advertising Costs

Advertising costs are expensed in the period in which they are incurred.

Comprehensive Income (Loss)

There were no items of comprehensive income (loss) applicable to the Company during the periods presented in the accompanying financial statements. Accordingly, net income (loss) equals comprehensive income (loss) for all periods.

Fair Value of Financial Instruments

Financial instruments consist principally of cash, accounts and related party receivables, trade and related party payables, accrued liabilities and short-term obligations. The carrying amounts of such financial instruments in the accompanying consolidated balance sheets approximate their fair values due to their relatively short-term nature.

The carrying value of the Company's long-term debt approximates fair value based on current market conditions for similar debt instruments.

Use of Estimates

The preparation of the accompanying financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of the assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expense during the reporting periods. Actual results may differ from those estimates and assumptions.

Impact of Newly Issued Accounting Standards

In September 2006, The FASB issued SFAS No.157 and No.158. Statement No.157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles (GAAP), and expands disclosures about fair value measurements. This Statement applies under other accounting pronouncements that require or permit fair value measurements, the Board having previously concluded in those accounting pronouncements that fair value is the relevant measurement attribute. Accordingly, this Statement does not require any new fair value measurements. However, for some entities, the application of this Statement will change current practice.

Statement No.158 is an amendment of FASB Statements No.87, 88,106 and 132 (R). It improves financial reporting by requiring an employer to recognize the over funded or underfunded status of a

defined benefit postretirement plan (other than a multi-employer plan) as an asset or liability in its statement of financial position and to recognize changes in that funded status in the year in which the changes occur through comprehensive income of a business entity or changes in unrestricted net assets of a not-for-profit organization. This Statement also improves financial reporting by requiring an employer to measure the funded status of a plan as of the date of its year-end statement of financial position, with limited exceptions.

The Company does not expect application of SFAS No.156, 157 and 158 to have a material effect on its financial statements.

In February 2007, the FASB issued SFAS No.159, "The Fair Value Option for Financial Assets and Financial Liabilities" ("SFAS No. 159"). This Statement permits entities to choose to measure many financial instruments and certain other items at fair value. Companies should report unrealized gains and losses on items for which the fair value option has been elected in earnings at each subsequent reporting date. This Statement is effective as of the beginning of an entity's first fiscal year that begins after November 15, 2007. The Company does not plan to measure any of its existing financial assets or liabilities at fair value under the provisions of SFAS No. 159 and, therefore, does not anticipate any material impact to its results of operations or financial position related to the adoption of this standard.

In December 2007, the FASB issued SFAS No.141 (revised 2007), "Business Combinations" ("SFAS No. 141R"). SFAS No.141 (R) requires an acquiring entity in a business combination to: (i) recognize all (and only) the assets acquired and the liabilities assumed in the transaction, (ii) establish an acquisition-date fair value as the measurement objective for all assets acquired and the liabilities assumed, and (iii) disclose to investors and other users all of the information they will need to evaluate and understand the nature of, and the financial effect of, the business combination, and, (iv) recognize and measure the goodwill acquired in the business combination or a gain from a bargain purchase. SFAS No.141 (R) is effective for, and will be applied by the Company to, business combinations occurring after January 12, 2009.

In December 2007, the FASB issued SFAS No.16, "Non-controlling Interests in Consolidated Financial Statements". SFAS No.160 requires: (i) non-controlling (minority) interests in subsidiaries to be reported in the same manner as equity, but separate from the parent's equity, in consolidated financial statements; (ii) net income attributable to the parent and the non-controlling interest to be clearly identified and presented on the face of the consolidated statement of income; and (iii) any changes in the parent's ownership interest, while the parent retains the controlling financial interest in its subsidiary, to be accounted for consistently. SFAS No.160 is effective for fiscal years beginning after January 12, 2009. The Company does not currently have investments in other companies with non-controlling interests and, therefore, currently does not expect SFAs No.160 to have a material impact on its financial statements.

In March 2008, the FASB released SFAS No.161, "*Disclosures about Derivative Instruments and Hedging Activities*." SFAS No.161 requires additional disclosures related to the use of derivative instruments, the accounting for derivatives and the financial statement impact of derivatives. SFAS No.161 is effective for fiscal years beginning after November 15, 2008. The Company has assessed the impact the adoption of SFAS No.161 does not believe this statement had a significant impact on the Company's financial statements.

In May 2008, the FASB released SFAS No.162 "*The Hierarchy of Generally Accepted Accounting Principles*." SFAS No.162 identifies the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements of nongovernmental entities that presented in conformity with generally accepted accounting principles in the United States of America. SFAS No.162 will be effective 60 days following the SEC's approval of the PCAOB amendments to AU Section 411,

The Meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles. The company does not believe SFAS 162 had a significant impact on the Company's financial statements.

Issuer Certifications:

We, Doug W. Rink and Richard G Craft certify that:

We have reviewed the Pro forma report for the twelve months ended June 30, 2013 and June 30, 2012 of Fortran Corporation and Consolidated Subsidiaries;

Based on our 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 periods covered by this disclosure statement and,

Based on our 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.

June 30, 2013

/s/ Doug W. Rink, CEO

/s/ Richard G. Craft, CFO