

## **Alternative Reporting Standard: Pink® Basic Disclosure Guidelines**

Federal securities laws, such as Rules 10b-5 and 15c2-11 of the Securities Exchange Act of 1934 (“Exchange Act”) as well as Rule 144 of the Securities Act of 1933 (“Securities Act”), and state Blue Sky laws, require issuers to provide *current information* to the public markets. With a view to facilitating compliance with these laws, OTC Markets Group has created these Pink Basic Disclosure Guidelines (“Guidelines”).<sup>1</sup> These Guidelines set forth the disclosure obligations that make up the “Alternative Reporting Standard” for Pink companies. These Guidelines have been designed to encompass the “Catch All” information required in Rule 15c2-11,<sup>2</sup> however they have not been reviewed by the U.S. Securities and Exchange Commission or any state securities regulator. We use information provided by companies under these Guidelines to designate the appropriate tier in the Pink Market: Current Information or Limited Information.<sup>3</sup>

These Guidelines may be amended from time to time, in the sole and absolute discretion of OTC Markets Group, with or without notice. The information provided by companies under these Guidelines is subject to our [Privacy Policy](#).

### **Pink Current Information Tier**

Companies that make the information described below publicly available on a timely basis (90 days after fiscal year end for Annual Reports; 45 days after each fiscal quarter end for Quarterly Reports) may qualify for the Current Information Tier.

Qualification Process:

1. Subscribe to the OTC Disclosure & News Service by submitting an [OTCIQ Order Form](#) (available on [www.otciq.com](http://www.otciq.com)).
2. Upload the following documents through OTCIQ:
  - **Quarterly Reports** for Current Fiscal Year– must include Disclosure Statement and Financial Reports listed below
  - **Annual Report** for Most Recently Completed Fiscal Year– must include Disclosure Statement and Financial Reports listed below
  - **Annual Report** for Prior Completed Fiscal Year – must include Financial Reports listed below
    - **Disclosure Statements:** Disclosure information pursuant to these Guidelines for the applicable period. (see the fillable form starting on Page 4).
    - **Financial Statements:** Financial reports must be prepared according to U.S. GAAP or International Financial Reporting Standards (IFRS) but are not required to be audited. Required financial statements include:
      - Balance Sheet
      - Statement of Income
      - Statement of Cash Flows
      - Statement of Retained Earnings (Statement of Changes in Stockholders' Equity)
      - Notes to Financial Statements

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<sup>1</sup> This is not legal advice, and OTC Markets Group makes no assurance that compliance with our disclosure requirements will satisfy any legal requirements.

<sup>2</sup> Publication of information pursuant to these Guidelines also does not guarantee or ensure that the Company will be designated as having “current information” or eligible for public quotations pursuant to Rule 15c2-11 or any other applicable regulation.

<sup>3</sup> OTC Markets Group may require companies with securities designated as Caveat Emptor to make additional disclosures in order to qualify for the Pink Current Information tier.

- Audit Letter, if audited
3. If financial statements are not audited by a PCAOB registered firm, provide the following:
    - **Attorney Letter Agreement:** Submit a signed Attorney Letter Agreement according to the [instructions](http://www.otcmarkets.com) on [www.otcmarkets.com](http://www.otcmarkets.com).
    - **Attorney Letter:** After following the appropriate procedures with a qualified attorney, upload an “Attorney Letter With Respect to Current Information” in accordance with the [Attorney Letter Guidelines](#) through OTCIQ. Attorney Letters must reference all required reports as set forth in Section 2 above.
  4. Verified Profile: Verify the Company Profile through OTCIQ. Profile information includes, but is not limited to, a complete list of officers, directors and service providers, outstanding shares, a business description and contact information.
  5. Allow OTC Markets Group to process the posted documents (typically three to five business days) and provide any comments.
  6. Companies will only be evaluated for Current Information once all required documentation has been submitted. A new Attorney Letter is required upon amendment of any referenced report.
  7. To qualify for Current Information on an ongoing basis, companies must upload reports through OTCIQ on the following schedule:
    - Quarterly Report within **45** days of the quarter end
    - Annual Report within **90 days** of the fiscal year end
    - Attorney Letter within **120 days** of the fiscal year end.

### **Pink Limited Information Tier**

Companies that make the information described below publicly available through OTCIQ for a period within the prior 6 months may qualify for the Limited Information Tier.

8. Financial Statements: Financial reports must be prepared according to U.S. GAAP or International Financial Reporting Standards (IFRS) but are not required to be audited.
  - Balance Sheet
  - Statement of Income
  - Statement of Cash Flows
  - Statement of Retained Earnings (Statement of Changes in Stockholders' Equity)
  - Notes to Financial Statements
  - Audit Letter, if audited
9. Verified Profile: The Company must verify the Company Profile through OTCIQ, including, but not limited to, a complete list of officers, directors and service providers; outstanding shares; a business description and contact information.

### **Current Reporting of Material Corporate Events**

Companies are expected to release quickly to the public any news or information regarding corporate events that may be material to the issuer and its securities (including adverse information). Persons with knowledge of such events would be considered to be in possession of material nonpublic information and may not buy or sell the issuer's securities until or unless such information is made public. If not included in the issuer's previous public disclosure documents or if any of the following events occur after the publication of such disclosure documents, the issuer shall publicly disclose such events by

disseminating a news release within 4 business days following their occurrence and posting such news release through an Integrated Newswire or OTCIQ.<sup>4</sup>

Material corporate events include:

- Entry into or termination of a material definitive agreement
- Completion of an acquisition or disposition of assets, including but not limited to merger transactions
- Creation of a direct financial obligation or an obligation under an off-balance sheet arrangement of an issuer
- Triggering events that accelerate or increase a direct financial obligation or an obligation under an off-balance sheet arrangement
- Costs associated with exit or disposal activities
- Material impairments
- Sales of equity securities
- Material modification to rights of security holders
- Changes in issuer's certifying accountant
- Non-reliance on previously issued financial statements or a related audit report or completed interim review
- Changes in control of issuer
- Departure of directors or principal officers; election of directors; appointment of principal officers
- Amendments to articles of incorporation or bylaws; change in fiscal year
- Amendments to the issuer's code of ethics, or waiver of a provision of the code of ethics
- Any changes to litigation the issuer may be involved in, or any new litigation surrounding the issuer
- Officer, director, or insider transactions in the issuer's securities
- Disclosure regarding stock promotion campaigns deemed material by the issuer
- Other events the issuer considers to be of importance

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<sup>4</sup> "Integrated Newswire" shall mean a newswire service that is integrated with the OTC Disclosure & News Service and is included on OTC Markets Group's list of Integrated Newswires, as published on <https://www.otcm Markets.com/corporate-services/products/disclosure-and-news-service>

# Disclosure Statement Pursuant to the Pink Basic Disclosure Guidelines

## FORTTRAN CORPORATION

3210 16<sup>TH</sup> Avenue S.E.  
Conover, NC 28613  
(828) 324-4611  
www.fortrancorp.com  
info@fortrancorp.com  
SIC Code: 4813

Quarterly Report For the Period Ending: June 30, 2021 (the "Reporting Period")

As of June 30, 2021 (the current reporting period), the number of shares outstanding of our Common Stock was: 18,639,465

As of March 31, 2020 (the previous reporting period), the number of shares outstanding of our Common Stock was: 17,954,465

As of December 31, 2020 (the most recent completed fiscal year end date), the number of shares outstanding of our Common Stock was: 17,954,465

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

Indicate by check mark whether a Change in Control<sup>5</sup> of the company has occurred over this reporting period:

Yes:  No:

<sup>5</sup> "Change in Control" shall mean any events resulting in:

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

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

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

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

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

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

Fortran Corporation, formerly known as Burkyarns, Inc. and Burke Mills, Inc., was incorporated in the state of North Carolina on March 17, 1948. Burkyarns, Inc. changed its name to Burke Mills, Inc. on May 7, 1979, and Burke Mills, Inc. changed its name to Fortran Corporation on February 12, 2013.

The state of incorporation or registration of the issuer and of each of its predecessors (if any) during the past five years; Please also include the issuer's current standing in its state of incorporation (e.g. active, default, inactive):

On January 21, 2020, Fortran Corporation reincorporated from the state of North Carolina to the state of Delaware by converting to a Delaware corporation pursuant to Section 265 of the Delaware General Corporation Law and Sections 55-11A-10 through 55-11A-13 of the North Carolina Business Corporation Act. Fortran Corporation's current standing is "active" in the state of Delaware.

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

NONE

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

NONE

The address(es) of the issuer's principal executive office:

3210 16<sup>TH</sup> Avenue S.E., Conover, NC 28613

The address(es) of the issuer's principal place of business:

Check box 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?

Yes:  No:

If this issuer or any of its predecessors have been the subject of such proceedings, please provide additional details in the space below:

NONE

## 2) Security Information

Trading symbol: FRTN  
Exact title and class of securities outstanding: Common  
CUSIP: 34960D 108  
Par or stated value: \$0.0001 per share

Total shares authorized: 50,000,000 as of date: June 30, 2021  
Total shares outstanding: 18,639,465 as of date: June 30, 2021 and  
18,639,465 as of August 10, 2021  
Number of shares in the Public Float<sup>6</sup>: 14,114,063 as of date: August 10, 2021  
Total number of shareholders of record: 345 as of date: August 10, 2021

All additional class(es) of publicly traded securities (if any): **NONE**

### Transfer Agent

Name: Colonial Stock Transfer  
Phone: (801) 355-5740  
Email: info@colonialstock.com  
Address: 66 Exchange Place, Suite 100, Salt Lake City, Utah 84111

Is the Transfer Agent registered under the Exchange Act?<sup>7</sup> Yes:  No:

## 3) Issuance History

The goal of this section is to provide disclosure with respect to each event that resulted in any direct 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.

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<sup>6</sup> "Public Float" shall mean the total number of unrestricted shares not held directly or indirectly by an officer, director, any person who is the beneficial owner of more than 10 percent of the total shares outstanding (a "control person"), or any affiliates thereof, or any immediate family members of officers, directors and control persons.

<sup>7</sup> To be included in the Pink Current Information tier, the transfer agent must be registered under the Exchange Act.

## A. Changes to the Number of Outstanding Shares

Check this box to indicate there were no changes to the number of outstanding shares within the past two completed fiscal years and any subsequent periods:

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 (entities must have individual with voting / investment control disclosed).	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?	Opening Balance:	
										Common: 28,012,351	Preferred: 2,850,000
January 16, 2019	New Issuance	52,000	Common	\$.0714	No	Frederick K. Greer	Employee Compensation	Restricted	Exemption (1)		
January 16, 2019	New Issuance	150,000	Common	\$.0714	No	Brett Bertolami	Board Member Compensation	Restricted	Exemption (1)		
January 16, 2019	New Issuance	100,000	Common	\$.0714	No	Douglas L. Miller	Board Member Compensation	Restricted	Exemption (1)		
January 16, 2019	New Issuance	250,000	Common	\$.0714	No	Dayne L. Miller	Board Member Compensation	Restricted	Exemption (1)		
January 16, 2019	New Issuance	350,000	Common	\$.0714	No	Glenn Withers	Board Member Compensation	Restricted	Exemption (1)		
May 10, 2019	New Issuance	800,000	Common	\$.2500	Yes	Christopher L. Sharman	In conjunction of bank debt settlement	Restricted	Exemption (1)		
May 20, 2019	Canceled	270,715	Common	N/A	Yes	Tim Pearce	Prior Year Correction	N/A	N/A		
May 10, 2019	Canceled	247,975	Common	N/A	Yes	Todd Rankin	Prior Year Correction	N/A	N/A		
May 10, 2019	Canceled	5,932,833	Common	N/A	Yes	Douglas W. Rink	Legal Settlement	N/A	N/A		
May 10, 2019	Canceled	1,350,000	Preferred	No Par	No	Douglas W. Rink	Legal Settlement	N/A	N/A		
October 23, 2019	Canceled	350,000	Preferred	No Par	No	Richard C. Wilson	Purchase	N/A	N/A		
October 23, 2019	Canceled	5,688,500	Common	N/A	No	Richard C. Wilson	Purchase	N/A	N/A		
July 11, 2019	New Issuance	500,000	Common	\$.38	Yes	Padang Padang LTD	Special Consultant Compensation	Restricted	Exemption (1)		

November 1, 2019	Canceled	500,000	Preferred	No Par	No	James M. Templeton	Board Decision	N/A	N/A
November 1, 2019	Canceled	500,000	Preferred	No Par	No	Glenn Withers	Board Decision	N/A	N/A
November 1, 2019	Canceled	150,000	Preferred	No Par	No	Brett Bertolami	Board Decision	N/A	N/A
November 4, 2019	Canceled	137,500	Common	N/A	No	Todd Rankin	Legal Settlement	N/A	N/A
February 26, 2020	Canceled	657,363	Common	N/A	No	Jimmy/Susan Wynn	Purchase	N/A	N/A
August 20, 2020	New Issuance	200,000	Common	\$.8000	No	Dayne Miller	Board Member Compensation	Restricted	Exemption (1)
August 20, 2020	New Issuance	100,000	Common	\$.8000	No	Glenn Withers	Board Member Compensation	Restricted	Exemption (1)
August 20, 2020	New Issuance	50,000	Common	\$.8000	No	Douglas Miller	Board Member Compensation	Restricted	Exemption (1)
August 20, 2020	New Issuance	50,000	Common	\$.8000	No	Brett Bertolami	Board Member Compensation	Restricted	Exemption (1)
August 25, 2020	New Issuance	50,000	Common	\$.6500	No	Steve Bruner	Employee Compensation	Restricted	Exemption (1)
August 25, 2020	New Issuance	50,000	Common	\$.6500	No	Mary Ackerman	Employee Compensation	Restricted	Exemption (1)
August 25, 2020	New Issuance	50,000	Common	\$.6500	No	Frederick K. Greer	Employee Compensation	Restricted	Exemption (1)
August 25, 2020	New Issuance	25,000	Common	\$.6500	No	Matthew Frederick	Employee Compensation	Restricted	Exemption (1)
August 25, 2020	New Issuance	25,000	Common	\$.6500	No	Beverly Millsaps	Employee Compensation	Restricted	Exemption (1)
August 25, 2020	New Issuance	25,000	Common	\$.6500	No	John Porcu	Employee Compensation	Restricted	Exemption (1)
August 25, 2020	New Issuance	25,000	Common	\$.6500	No	John Petruccelli	Employee Compensation	Restricted	Exemption (1)
August 25, 2020	New Issuance	10,000	Common	\$.6500	No	James Henry	Employee Compensation	Restricted	Exemption (1)
August 25, 2020	New Issuance	10,000	Common	\$.6500	No	Carolyn Johnson	Employee Compensation	Restricted	Exemption (1)
August 25, 2020	New Issuance	5,000	Common	\$.6500	No	Barry Beach	Employee Compensation	Restricted	Exemption (1)

April 26, 2021	New Issuance	685,000	Common	\$ .3000	No	Alliance Equity Capital Group, Inc.	Consulting Agreement	Restricted	Exemption (1)
Number of Shares Outstanding on June 30, 2021:	Ending Balance: Common: 18,639,465 Preferred: NONE								

**Example:** A company with a fiscal year end of December 31<sup>st</sup>, in addressing this item for its quarter ended September 30, 2020, would include any events that resulted in changes to any class of its outstanding shares from the period beginning on January 1, 2018 through September 30, 2020 pursuant to the tabular format above.

Use the space below to provide any additional details, including footnotes to the table above:

**(1) Issued pursuant to an exemption from the registration requirements of the Securities Act of 1933, as amended (the "Securities Act"), as provided by Section 4(a)(2) of the Securities Act.**

**Fortran Corporation has made the following issuances and cancellations between June 30, 2021 and August 10, 2021**

NONE.

## B. Debt Securities, Including Promissory and Convertible Notes

Use the chart and additional space below to list and describe all outstanding promissory notes, convertible notes, convertible debentures, or any other debt instruments that may be converted into a class of the issuer's equity securities.

Check this box if there are no outstanding promissory, convertible notes or debt arrangements:

Date of Note Issuance	Outstanding Balance (\$)	Principal Amount at Issuance (\$)	Interest Accrued (\$)	Maturity Date	Conversion Terms (e.g. pricing mechanism for determining conversion of instrument to shares)	Name of Noteholder	Reason for Issuance (e.g. Loan, Services, etc.)
November 2, 2018	60,000.00	60,000.00	\$276	November 23, 2023	At any time before maturity, the outstanding balance may be converted for common shares at \$.25 per share.	Douglas L. Miller	Working Capital Needs
December 21, 2018	100,000.00	100,000.00	\$148	December 21, 2023	At any time before maturity, the outstanding balance may be converted for common shares at \$.25 per share.	James M. Templeton	Provide LOC to affiliate
January 8, 2019	150,000.00	150,000.00	\$542	January 8, 2024	At any time before maturity, the outstanding balance may be converted for common shares at \$.25 per share.	James M. Templeton	Working Capital Needs
March 13, 2019	100,000.00	100,000.00	\$279	March 13, 2024	At any time before maturity, the outstanding balance may be converted for common shares at \$.25 per share.	James M. Templeton	Provide LOC to affiliate
March 28, 2019	150,000.00	150,000.00	\$49	March 28, 2024	At any time before maturity, the outstanding balance may be converted for common shares at \$.25 per share.	Charles D. Miller	Provide initial payment to TCA Global
March 29, 2019	100,000.00	100,000.00	\$16	March 29, 2024	At any time before maturity, the outstanding balance may be converted for common shares at \$.25 per share.	James M. Templeton	Working Capital Needs
March 29, 2019	107,250.00	107,250.00	\$18	March 29, 2024	At any time before maturity, the outstanding balance may be converted for common shares at \$.25 per share.	Peter A. R. Sharman	Provide Debt Settlement Funding
April 11, 2019	130,583.80	138,957.85	\$408	April 11, 2021	\$1,000 per month for 24 months. Balance due April 11, 2021. 6% per annum.	Peter A. R. and Donna T. Sharman	Deficiency Balance Settlement
May 1, 2019	20,000.00	175,000.00	N/A	October 1, 2021	\$5,000 per month for 30 months. No interest.	Douglas Rink	Repurchase Common and Preferred Shares

May 22, 2019	75,000.00	100,000.00	\$99	May 22, 2024	At any time before maturity, the outstanding balance may be converted for common shares at \$.25 per share.	James M. Templeton	Working Capital Needs
June 18, 2019	95,000.00	95,000.00	\$187	June 18, 2024	At any time before maturity, the outstanding balance may be converted for common shares at \$.25 per share.	Sherry T. Miller	Working Capital Needs
November 1, 2019	100,000.00	100,000.00	\$477	November 1, 2024	At any time before maturity, the outstanding balance may be converted for common shares at \$.25 per share. 6% interest.	Donna T. Sharman	Working Capital Needs
October 23, 2019	365,000.00	500,000.00	N/A	February 23, 2028	\$5,000 per month for 100 months. No interest.	Richard C. Wilson	Repurchase Common and Preferred Shares
February 12, 2021	46,985.00	46,985.00(1)	N/A	February 12, 2026	Management anticipates that this loan will be fully forgiven.	CARES Act Payroll Protection Program	Economic Injury Disaster Loan
April 5, 2021	66,510.00	66,510.00(2)	N/A	April 5, 2026	Management anticipates that this loan will be fully forgiven.	CARES Act Payroll Protection Program	Economic Injury Disaster Loan
July 15, 2020	150,000.00	150,000.00 (1)	N/A	July 15, 2051	N/A	U.S. Small Business Administration	Economic Injury Disaster Loan
July 15, 2020	143,000.00	143,000.00 (2)	N/A	July 15, 2051	N/A	U.S. Small Business Administration	Economic Injury Disaster Loan
August 5, 2020	150,000.00	150,000.00	N/A	August 5, 2051	N/A	U.S. Small Business Administration	Economic Injury Disaster Loan
October 8, 2020	20,500.00	20,500.00 (1)	N/A	October 8, 2030	N/A	N.C. Rapid Recovery Loan	Crisis Assistance Loan

Use the space below to provide any additional details, including footnotes to the table above:

- (1) Issued to Fortran's subsidiary B&L Telephone, LLC.**
- (2) Issued to Fortran's subsidiary Fortran Communications, Inc.**

4) **Financial Statements**

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

- U.S. GAAP**
- IFRS**

B. The financial statements for this reporting period were prepared by (name of individual)<sup>8</sup>:

**Name:** Dayne L. Miller  
**Title:** Chief Financial Officer  
**Relationship to Issuer:** Officer/Director of Fortran Corporation

Provide the financial statements described below for the most recent fiscal year or quarter. For the initial disclosure statement (qualifying for Pink Current Information for the first time) please provide reports for the two previous fiscal years and any subsequent interim periods.

- C. Balance sheet;
- D. Statement of income;
- E. Statement of cash flows;
- F. Statement of Retained Earnings (Statement of Changes in Stockholders' Equity)
- G. Financial notes; and
- H. Audit letter, if audited

You may either (i) attach/append the financial statements to this disclosure statement or (ii) file the financial statements through OTCIQ as a separate report using the appropriate report name for the applicable period end. ("Annual Report," "Quarterly Report" or "Interim Report").

If you choose to publish the financial statements in a separate report as described above, you must state in the accompanying disclosure statement that such financial statements are incorporated by reference. You may reference the document(s) containing the required financial statements by indicating the document name, period end date, and the date that it was posted to OTCIQ in the field below. Financial Statements must be compiled in one document.

**See attached Consolidated Balance Sheets, Consolidated Statements of Operations, Consolidated Statements of Shareholders' Deficit, Consolidated Statements of Cash Flows, and Notes to the Consolidated Financial Statements for the Period ending June 30, 2021 attached to the end of this Disclosure Statement Pursuant to the Pink Basic Disclosure Guidelines Quarterly Report.**

Financial statement information is considered current until the due date for the subsequent report (as set forth in the qualifications section above). To remain qualified for Current Information, a company must post its Annual Report within 90 days from its fiscal year-end date and Quarterly Reports within 45 days of each fiscal quarter-end date.

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<sup>8</sup> The financial statements requested pursuant to this item must be prepared in accordance with US GAAP or IFRS by persons with sufficient financial skills.

## 5) Issuer's Business, Products and Services

The purpose of this section is to provide a clear description of the issuer's current operations. In answering this item, please include the following:

### A. Summarize the issuer's business operations (If the issuer does not have current operations, state "no operations")

Fortran Corporation ("Fortran" or the "Company"), through its subsidiaries, is a leading telecommunications system integrator dedicated to designing, sourcing, implementing and maintaining complex telecommunications solutions primarily in North Carolina and South Carolina.

### B. Please list any subsidiaries, parents, or affiliated companies.

The telecom segment currently consists of two operating units. Our subsidiary, B & L Telephone, LLC, headquartered in Conover, North Carolina, focuses on business and governmental clients throughout North Carolina. Our subsidiary, Fortran Communications, Inc., headquartered in Columbia, South Carolina, focuses on business and governmental clients throughout South Carolina.

### C. Describe the issuers' principal products or services.

The Company has direct distribution contracts with Nippon Electric Corporation ("NEC"). NEC is our prime source for equipment and services that we sell directly to end users. NEC has been a leader in the technology business since 1899.

In addition to our NEC core products, we also offer our clients a wide array of complimentary products including cabling, fiber connectivity, SIP trunks, paging, access and control systems and security (including facial recognition technology). The Company has begun to offer thermal graphic temperature reading cameras through our operating subsidiaries B & L Telephone, LLC and Fortran Communications, Inc. These state-of-the-art thermal imaging cameras and software can measure the temperature of individuals as they enter companies, schools, and government facilities, which we believe will be an important tool as they look to safely and effectively reopen after mandatory closures due to the COVID-19 pandemic. We believe this technology will also help make workplaces safer for staff and customers by providing companies with the ability to screen everyone upon entry. The current market size for this technology is over \$4.6 billion, with huge growth predicted.

New system sales ("Box Sales") often generate a post-implementation maintenance agreement ("MSA") to support the system, which generally ranges from 1-3 years for commercial clients and 3-5 years for government clients. Historically, such an agreement results in a fixed fee earned over the term of the contract. MSA and MAC revenues are the direct result of the Company's relationship with its clients and its longstanding record of providing high-quality service.

**6) Issuer's Facilities**

The goal of this section is to provide a potential investor 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, give the location of the principal plants and other property of the issuer and describe the condition of the properties. If the issuer does not have complete ownership or control of the property (for example, if others also own the property or if there is a mortgage on the property), describe the limitations on the ownership.

If the issuer leases any assets, properties or facilities, clearly describe them as above and the terms of their leases.

The Company leases a 10,000 square foot office/warehouse facility in Conover, NC. The terms of the Company's Commercial Lease Agreement requires the Company to pay \$4,000 per month and is considered a triple net lease. The term of the lease is for 24 months and began on May 1, 2019. The Company has the option to purchase the facility for \$400,000, less a credit for all rent payments made discounted by a 6% interest rate over the term. The lease agreement has expired and the Company has negotiated a "month-to-month" lease until adequate funding can be obtained to exercise the option to purchase. The monthly lease amounts remains at \$4,000 per month.

**7) Company Insiders (Officers, Directors, and Control Persons)**

The goal of this section is to provide an investor 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 shareholders.

Using the tabular format below, please provide information, as of the period end date of this report, regarding any person or entity owning 5% of more of any class of the issuer's securities, as well as any officer, and any director of the company, or any person that performs a similar function, regardless of the number of shares they own. **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 in the note section.**

<b>Name of Officer/Director and Control Person</b>	<b>Affiliation with Company (e.g. Officer/Director/Owner of more than 5%)</b>	<b>Residential Address (City / State Only)</b>	<b>Number of shares owned(1)</b>	<b>Share type/class</b>	<b>Ownership Percentage of Class Outstanding</b>	<b>Note</b>
Glenn E. Withers	Officer (President, CEO), Director (Chairman)	Ocean Isle Beach, NC	522,279	Common	2.80%	None
Douglas L. Miller	Director, Owner of more than 5%	Elon, NC	1,313,125	Common	7.04%	None
Dayne L. Miller	Officer (CFO, Secretary), Director, Owner of more than 5%	Claremont, NC	976,873	Common	5.24%	None

Brett Bertolami	Director (V. Chairman)	Mooresville, NC	350,000	Common	1.88%	None
Emmett D. Crawford (Deceased)	Owner of more than 5%	Taylorsville, NC	1,285,714	Common	6.90%	None
Charles D. Miller	Owner of more than 5%	Nashville, TN	1,363,125	Common	7.31%	None
Philip A. Miller	Owner of more than 5%	Elon, NC	1,363,125	Common	7.31%	None
Sherry T. Miller	Owner of more than 5%	Elon, NC	1,363,125	Common	7.31%	None
Christopher L. Sharman	Owner of more than 5%	Charleston, SC	1,346,250	Common	7.22%	None
Peter A. R. Sharman	Owner of more than 5%	Conover, NC	1,229,670	Common	6.60%	None

**(1) This chart reflects number of shares owned as of June 30, 2021.**

**8) Legal/Disciplinary History**

A. Please identify whether any of the persons or entities listed above have, in the past 10 years, been the subject of:

1. A conviction in a criminal proceeding or named as a defendant in a pending criminal proceeding (excluding traffic violations and other minor offenses); **Fortran Corporation is not currently aware of anything relevant to this subsection with respect to any of the foregoing persons.**
2. 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, or banking activities; **Fortran Corporation is not currently aware of anything relevant to this subsection with respect to any of the foregoing persons.**
3. 3. A finding or judgment by a court of competent jurisdiction (in a civil action), the Securities and Exchange Commission, the Commodity Futures Trading Commission, or a state securities regulator of a violation of federal or state securities or commodities law, which finding or judgment has not been reversed, suspended, or vacated; **Fortran Corporation is not currently aware of anything relevant to this subsection with respect to any of the foregoing persons.**
4. 4. The entry 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. **Fortran Corporation is not currently aware of anything relevant to this subsection with respect to any of the foregoing persons.**

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 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.

**The Company is engaged from time to time in the defense of lawsuits arising out of the ordinary course and conduct of its business. There is no action, suit, proceeding, inquiry or investigation before or by any court, public board, government agency, self-regulatory organization or body pending or, to the knowledge of the executive officers of the Company or its subsidiaries, threatened against the Company, its common stock, its subsidiaries or the Company or the Company's subsidiaries' officers or directors in their capacities as such.**

### 9) Third Party Providers

Please provide the name, address, telephone number and email address of each of the following outside providers:

#### Securities Counsel

Firm: Troutman Pepper Hamilton Sanders LLP  
Address 1: 5 Park Plaza, Suite 1400, Irvine, CA 92614  
Phone: (949) 622-2700  
Email: larry.cerutti@troutman.com

#### Accountant or Auditor

Firm: Weinberg & Company  
Address 1: 1925 Century Park East, Suite 1120, Los Angeles, CA 90067  
Phone: (310) 601-2200  
Email: coreyf@weinbergla.com

#### Investor Relations

Firm: Fortran Corporation  
Address 1: 3210 16<sup>th</sup> Avenue S.E., Conover, NC 28613  
Phone: (828) 324-4611  
Email: info@fortrancorp.com

#### 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) or consultant(s) or provided assistance or services to the issuer during the reporting period.

**NONE**

**10) Issuer Certification**

*Principal Executive Officer:*

I, GLENN E. WITHERS, certify that:

1. I have reviewed this QUARTERLY DISCLOSURE STATEMENT of FORTRAN CORPORATION;
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.

**August 10, 2021**

**/s/GLENN E. WITHERS**

*Principal Financial Officer:*

I, DAYNE L. MILLER, certify that:

1. I have reviewed this QUARTERLY DISCLOSURE STATEMENT of FORTRAN CORPORATION;
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.

**August 10, 2021**

**/s/DAYNE L. MILLER**

**FORTRAN CORPORATION AND SUBSIDIARIES  
CONSOLIDATED FINANCIAL STATEMENTS  
SIX MONTHS ENDED JUNE 30, 2021 AND 2020**

**FORTTRAN CORPORATION AND SUBSIDIARIES  
CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED JUNE 30, 2021 AND 2020  
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**FORTTRAN CORPORATION AND SUBSIDIARIES  
CONDENSED CONSOLIDATED BALANCE SHEETS**

	<b>June 30, 2021</b>	<b>December 31, 2020</b>
	<b>(Unaudited)</b>	
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash	\$ 32,000	\$ 159,000
Accounts receivable, net	40,000	39,000
Inventories, net	81,000	65,000
<b>Total Current Assets</b>	<b>153,000</b>	<b>263,000</b>
Property and equipment, net	62,000	59,000
Right of use asset, net	160,000	200,000
<b>Total Assets</b>	<b>\$ 375,000</b>	<b>\$ 522,000</b>
<b>LIABILITIES AND SHAREHOLDERS' DEFICIT</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued expenses	\$ 207,000	\$ 176,000
Customer deposits	74,000	212,000
Deferred revenue	3,000	108,000
Lease payable, current portion	349,000	358,000
Loans payable, current portion	371,000	242,000
<b>Total Current Liabilities</b>	<b>1,004,000</b>	<b>1,096,000</b>
Lease payable, net of current portion	-	-
Convertible notes payable, net of discount of \$419,000 and \$494,000	618,000	543,000
Loans payable, net of discount of \$91,000 and \$106,000	213,000	230,000
Government assistance loans payable	577,000	577,000
<b>Total Liabilities</b>	<b>2,412,000</b>	<b>2,446,000</b>
<b>Commitments and Contingencies</b>		
<b>Shareholders' Deficit</b>		
Preferred stock, \$0.0001 par value, 5,000,000 shares authorized; no shares issued and outstanding at June 30, 2021 and December 31, 2020, respectively	-	-
Common stock, \$0.0001 par value, 50,000,000 shares authorized; 18,639,465 and 17,954,465 shares issued and outstanding at June 30, 2021 and December 31, 2020, respectively	2,000	2,000
Additional paid in capital	3,044,000	2,839,000
Accumulated deficit	(5,083,000)	(4,765,000)
<b>Total Shareholders' Deficit</b>	<b>(2,037,000)</b>	<b>(1,924,000)</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIT</b>	<b>\$ 375,000</b>	<b>\$ 522,000</b>

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

**FORTTRAN CORPORATION AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
**(UNAUDITED)**

	Six months ended June 31,	
	2021	2020
Revenues	\$ 663,000	\$ 609,000
Cost of revenues	463,000	453,000
Gross profit	200,000	156,000
Selling, general and administrative expenses	498,000	320,000
Loss from operations	(298,000)	(164,000)
Other income (expense)		
Gain on extinguishment of debt	113,000	-
Interest	(133,000)	(39,000)
Total other income (expense)	(20,000)	(39,000)
Net Loss	\$ (318,000)	\$ (203,000)
 BASIC LOSS PER SHARE	 \$ (0.02)	 \$ (0.01)
DILUTED LOSS PER SHARE	\$ (0.02)	\$ (0.01)
 WEIGHTED AVERAGE SHARES OUTSTANDING -- BASIC	 18,639,465	 17,279,465
WEIGHTED AVERAGE SHARES OUTSTANDING -- DILUTED	18,639,465	17,279,465

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

**FORTRAN CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF SHAREHOLDERS' DEFICIT**  
**(UNAUDITED)**

**SIX MONTHS ENDED JUNE 30, 2021**

	Preferred Stock		Common Stock		Additional Paid-In Capital	Accumulated Deficit	Total Stockholders' Deficit
	Shares	Amount	Shares	Amount			
<b>Balance, December 31, 2020</b>	-	\$ -	17,954,465	\$ 2,000	\$ 2,839,000	\$ (4,765,000)	\$ (1,924,000)
Common Stock Issuance	-	-	685,000	-	205,000	-	205,000
Net Loss	-	-	-	-	-	(318,000)	(318,000)
<b>Balance, June 30, 2021 (Unaudited)</b>	-	\$ -	18,639,465	\$ 2,000	\$ 3,044,000	\$ (5,083,000)	\$ (2,037,000)

**SIX MONTHS ENDED JUNE 30, 2020**

	Preferred Stock		Common Stock		Additional Paid-In Capital	Accumulated Deficit	Total Stockholders' Deficit
	Shares	Amount	Shares	Amount			
<b>Balance, December 31, 2019</b>	-	\$ -	17,297,465	\$ 2,000	\$ 2,326,000	\$ (3,793,000)	\$ (1,465,000)
Net Loss	-	-	-	-	-	(203,000)	(203,000)
<b>Balance, June 30, 2020 (Unaudited)</b>	-	\$ -	17,297,465	\$ 2,000	\$ 2,326,000	\$ (3,996,000)	\$ (1,668,000)

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

**FORTTRAN CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(UNAUDITED)**

	<u>Six months ended June 30</u>	
	<u>2021</u>	<u>2020</u>
<b><u>Cash Flows from Operating Activities</u></b>		
Net Loss	\$ (318,000)	\$ (203,000)
<b>Adjustments to reconcile net loss to net cash used in operating activities</b>		
Depreciation	10,000	4,000
Amortization of right of use asset	40,000	-
Amortization of debt discount	75,000	-
Amortization of imputed interest	15,000	-
Issuance of Common Stock expensed to Consulting Fees	205,000	-
Gain on extinguishment of debt	(114,000)	-
<b>Changes in Assets and Liabilities</b>		
<b>(Increase) Decrease in:</b>		
Accounts receivable	(1,000)	165,000
Inventories	(16,000)	50,000
<b>(Decrease) Increase in:</b>		
Accounts payable and accrued expenses	31,000	(173,000)
Customer deposits	(138,000)	-
Deferred revenues	(105,000)	-
<b>Net cash provided by (used in) operating activities</b>	<u>(316,000)</u>	<u>(157,000)</u>
<b><u>Cash Flows from Investing Activities</u></b>		
Purchase of property and equipment	(13,000)	-
Proceeds on sale of investments and receipt of advances	-	150,000
<b>Net cash provided by (used in) investing activities</b>	<u>(13,000)</u>	<u>150,000</u>
<b><u>Cash Flows from Financing Activities</u></b>		
Proceeds from government assistance loan	114,000	198,000
Payment of loans payable	(63,000)	(182,000)
Proceeds from short term borrowings	160,000	-
Payment of lease liability	(9,000)	-
<b>Net cash provided by (used in) financing activities</b>	<u>202,000</u>	<u>16,000</u>
Net increase (decrease) in cash and cash equivalents	(127,000)	22,000
Cash beginning of period	159,000	13,000
Cash end of period	<u>\$ 32,000</u>	<u>\$ 9,000</u>
Interest paid	<u>\$ -</u>	<u>\$ -</u>
Taxes paid	<u>\$ -</u>	<u>\$ -</u>

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

**FORTTRAN CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2021 AND 2020**  
**(UNAUDITED)**

**NOTE 1 – BASIS OF PRESENTATION**

**History and Organization**

Fortran Corporation (“the Company”) formerly known as Burkyarns, Inc. and Burke Mills, Inc. was incorporated under the laws of the State of North Carolina on March 17, 1948. Burkyarns, Inc. changed its name to Burke Mills, Inc. on May 7, 1979, and Burke Mills, Inc. changed its name to Fortran Corporation on February 12, 2013.

On January 21, 2020, the Company amended its Articles of Incorporation and reincorporated from North Carolina to the State of Delaware and changed the par value on its preferred and common stock to \$0.0001.

**Overview of Business**

Fortran Corporation (the “Company”) is primarily engaged in the sales, installation, and service of telecommunication systems in North Carolina and South Carolina.

***COVID-19 Considerations***

Through the date these financial statements were issued, the COVID-19 pandemic has significantly impacted the Company’s operating results. Due to COVID-19, the Company experienced reduced demand for its products and services, customer orders have been delayed, and access to customers has been limited in certain instances. The COVID-19 pandemic has impacted our business and may have been a factor adversely impacting our operating results. In the future, the pandemic may cause reduced demand for our products and services if, for example, the pandemic results in a recessionary economic environment, which negatively effects the consumers who purchase our products and services.

**Going Concern**

The accompanying consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business. As reflected in the accompanying consolidated financial statements, during the six months ended June 30, 2021, the Company incurred a net loss of \$318,000, used cash in operations of \$316,000, and had a shareholders’ deficit of \$2,037,000 as of June 30, 2021. These factors raise substantial doubt about the Company’s ability to continue as a going concern within one year after the date of the financial statements being issued. The ability of the Company to continue as a going concern is dependent upon the Company’s ability to raise additional funds and implement its business plan. The financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

At June 30, 2021, the Company had cash on hand in the amount of \$32,000. No assurance can be given that any future financing will be available or, if available, that it will be on terms that are satisfactory to the Company. Even if the Company can obtain additional financing, it may contain undue restrictions on our operations in the case of debt financing, or cause substantial dilution for our stockholders, in the case of equity financing.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Consolidation**

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries: B&L Telephone, LLC, Fortran Communications, Inc., and The New Telephone Company, Inc. Intercompany transactions and balances have been eliminated in consolidation.

### **Preparation of Interim Financial Statements**

The condensed consolidated financial statements included in this report are unaudited and have been prepared by the Company and, in the opinion of management, include all adjustments (consisting of normal recurring accruals and adjustments necessary for adoption of new accounting standards) necessary to present fairly the results of the interim periods shown. Management believes that its disclosures are sufficiently presented to prevent this information from being misleading. Due to seasonality and other factors, the results for the interim periods are not necessarily indicative of results for a full year. The financial statements contained herein should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's 2020 Annual Report.

### **Loss per Share Calculations**

Basic earnings per share are computed by dividing net income (loss) available to common shareholders by the weighted-average number of common shares available. Diluted earnings per share is computed by dividing the net income applicable to common shareholders by the weighted average number of common shares outstanding plus the number of additional common shares that would have been outstanding if all dilutive potential common shares had been issued using the treasury stock method. Potential common shares are excluded from the computation when their effect is antidilutive. The dilutive effect of potentially dilutive securities is reflected in diluted net income per share if the exercise prices were lower than the average fair market value of common shares during the reporting period.

Common shares issuable under convertible note agreements of 4,158,050, have been excluded from the calculation of weighted average common shares outstanding at June 30, 2021, as their effect would have been anti-dilutive.

### **Use of Estimates**

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the U.S requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the financial statement date and reported amounts of revenue and expenses during the reporting period. Significant estimates are used in valuing our allowances for doubtful accounts, reserves for inventory obsolescence, valuing equity instruments issued for services, and valuation allowance for deferred tax assets, among others. Actual results could differ from these estimates.

### **Segment Reporting**

The Company operates in one segment for the manufacture and distribution of our products. In accordance with the "Segment Reporting" Topic of the ASC, the Company's chief operating decision maker has been identified as the Chief Executive Officer and President, who reviews operating results to make decisions about allocating resources and assessing performance for the entire Company. Existing guidance, which is based on a management approach to segment reporting, establishes requirements to report selected segment information quarterly and to report annually entity-wide disclosures about products and services, major customers, and the countries in which the entity holds material assets and reports revenue. All material operating units qualify for aggregation under "Segment Reporting" due to their similar customer base and similarities in economic characteristics; nature of products and services; and procurement, manufacturing and distribution processes. Since the Company operates in one segment, all financial information required by "Segment Reporting" can be found in the accompanying consolidated financial statements.

### **Revenue Recognition**

The Company recognizes revenue in accordance with ASC No. 606 — Revenue from Contracts with Customers. Under ASC No. 606, the Company recognizes revenue from the commercial sales of products, licensing agreements and contracts by applying the following steps: (1) identify the contract with a customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to each performance obligation in the contract; and (5) recognize revenue when each performance obligation is satisfied.

The Company primarily generates its revenues through designing, sourcing, implementing, and maintaining complex telecommunications solutions primarily in North Carolina and South Carolina. Our subsidiary B & L Telephone, LLC, which is headquartered in Conover, North Carolina, focuses on business and governmental clients throughout North Carolina. Our subsidiary Fortran Communications, Inc., which is headquartered in Columbia, South Carolina, focuses on business and governmental clients throughout South Carolina. Both companies have direct distribution contracts with NEC (Nippon Electric Corporation). NEC is our prime source for equipment and services that we sell directly to end users. NEC has been a leader in the technology business since 1899.

For the six months ended June 30, 2021 and 2020, the Company recognized \$663,000 and \$609,000 respectively in revenue.

In addition to our NEC core products, we also offer our clients a wide array of complimentary products including cabling, fiber connectivity, SIP trunks, paging, access and control systems and security (including facial recognition technology). New system sales (“Box Sales”) often generate a post-implementation maintenance agreement (“MSA”) to support the system, which generally ranges from 1-3 years for commercial clients and 3-5 years for government clients. Historically, such an agreement results in a fixed fee earned over the term of the contract. Deferred revenue relating to MSAs, which represents cash received in advance for services to be realized as revenue over the remaining contract term, was \$3,000 and \$108,000 at June 30, 2021 and December 31, 2020, respectively.

### **Accounts Receivable**

The Company evaluates the collectability of its trade accounts receivable based on a number of factors. In circumstances where the Company becomes aware of a specific customer’s inability to meet its financial obligations to the Company, a specific reserve for bad debts is estimated and recorded, which reduces the recognized receivable to the estimated amount the Company believes will ultimately be collected. In addition to specific customer identification of potential bad debts, bad debt charges are recorded based on the Company’s historical losses and an overall assessment of past due trade accounts receivable outstanding.

The allowance for doubtful accounts and returns is established through a provision reducing the carrying value of receivables. At June 30, 2021 and December 31, 2020, the Company determined that no allowance for doubtful accounts was necessary.

### **Inventories**

Inventories are stated at the lower of cost or net realizable value. Cost is computed on a first-in, first-out basis. The Company’s inventories consist almost entirely of finished goods as of June 30, 2021 and December 31, 2020.

The Company provides inventory reserves based on excess and obsolete inventories determined primarily by future demand forecasts. The write down amount is measured as the difference between the cost of the inventory and market based upon assumptions about future demand and charged to the provision for inventory, which is a component of cost of sales. At the point of the loss recognition, a new, lower cost basis for that inventory is established, and subsequent changes in facts and circumstances do not result in the restoration or increase in that newly established cost basis. At June 30, 2021 and December 31, 2020, the Company determined that no reserve for excess and obsolete inventory was necessary.

### **Property and Equipment**

Property and equipment are carried at cost less accumulated depreciation and amortization. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets. The Company has determined the estimated useful lives of its property and equipment, as follows:

Office equipment	5 years
Vehicles	5 years
Equipment and tools	10 years
Property and improvements	40 years

Maintenance and repairs are charged to expense as incurred. The cost and accumulated depreciation of assets sold or otherwise disposed of are removed from the related accounts and the resulting gain or loss is reflected in the statements of operations.

Management assesses the carrying value of property and equipment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. If there is an indication of impairment, management prepares an estimate of future cash flows expected to result from the use of the asset and its eventual disposition. If these cash flows are less than the carrying amount of the asset, an impairment loss is recognized to write down the asset to its estimated fair value.

### **Beneficial Conversion Feature of Convertible Notes Payable**

The Company accounts for convertible notes payable in accordance with the guidelines established by the Financial Accounting Standards Board's ("FASB") Accounting Standards Codification ("ASC") Topic 470-20, *Debt with Conversion and Other Options*. The Beneficial Conversion Feature ("BCF") of a convertible note is normally characterized as the convertible portion or feature of certain notes payable that provide a rate of conversion that is below market value or in-the-money when issued. The Company records a BCF related to the issuance of a convertible note when issued and also recorded the estimated fair value of any warrants issued with those convertible notes. Beneficial conversion features that are contingent upon the occurrence of a future event are recorded when the contingency is resolved.

The BCF of a convertible note is measured by allocating a portion of the note's proceeds to the warrants, if applicable, and as a reduction of the carrying amount of the convertible note equal to the intrinsic value of the conversion feature, both of which are credited to additional paid-in-capital. The value of the proceeds received from a convertible note is then allocated between the conversion features and warrants on an allocated fair value basis. The allocated fair value is recorded in the financial statements as a debt discount (premium) from the face amount of the note and such discount is amortized over the expected term of the convertible note (or to the conversion date of the note, if sooner) and is charged to interest expense.

### **Income Taxes**

Income tax expense is based on pretax financial accounting income. Deferred tax assets and liabilities are recognized for the expected tax consequences of temporary differences between the tax basis of assets and liabilities and their reported amounts. Valuation allowances are recorded to reduce deferred tax assets to the amount that will more likely than not be realized. The Company has recorded a valuation allowance against its deferred tax assets as of June 30, 2021 and December 31, 2020.

The Company accounts for uncertainty in income taxes using a two-step approach to recognizing and measuring uncertain tax positions. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates that it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount that is more than 50 percent likely of being realized upon settlement. The Company classifies the liability for unrecognized tax benefits as current to the extent that the Company anticipates payment (or receipt) of cash within one year. Interest and penalties related to uncertain tax positions are recognized in the provision for income taxes.

### **Advertising Costs**

Advertising costs are expensed as incurred and are included in selling, general and administrative expenses. Advertising costs were \$6,000 and \$3,000 for the six months ended June 30, 2021 and 2020, respectively.

### **Fair Value Measurements**

The Company determines the fair value of its assets and liabilities based on the exchange price in U.S. dollars that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation

techniques used to measure fair value maximize the use of observable inputs and minimize the use of unobservable inputs. The Company uses a fair value hierarchy with three levels of inputs, of which the first two are considered observable and the last unobservable, to measure fair value:

- Level 1 — Quoted prices in active markets for identical assets or liabilities.
- Level 2 — Inputs, other than Level 1, that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 — Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The carrying amounts of financial instruments such as cash, accounts receivable, inventories, accounts payable, accrued expenses, and deferred revenue, approximate the related fair values due to the short-term maturities of these instruments. The carrying values of notes payable approximate their fair values due to the fact that the interest rates on these obligations are based on prevailing market interest rates.

#### Recently Issued Accounting Pronouncements

In June 2016, the FASB issued ASU 2016-13, Measurement of Credit Losses on Financial Instruments. ASU 2016-13 requires entities to use a forward-looking approach based on current expected credit losses (“CECL”) to estimate credit losses on certain types of financial instruments, including trade receivables. This may result in the earlier recognition of allowances for losses. ASU 2016-13 is effective for the Company beginning January 1, 2023, and early adoption is permitted. The Company does not believe the potential impact of the new guidance and related codification improvements will be material to its financial position, results of operations and cash flows.

Other recent accounting pronouncements issued by the FASB, its Emerging Issues Task Force, the American Institute of Certified Public Accountants, and the Securities and Exchange Commission did not or are not believed by management to have a material impact on the Company’s present or future financial statements.

#### NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2021 and December 31, 2020:

	<u>June 30,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>
Office equipment	\$ 32,000	\$ 32,000
Vehicles	54,000	54,000
Equipment and tools	3,000	3,000
Property and improvements	<u>24,000</u>	<u>12,000</u>
	113,000	101,000
Less: accumulated depreciation and amortization	<u>(51,000)</u>	<u>(42,000)</u>
Property and equipment, net	<u>\$ 62,000</u>	<u>\$ 59,000</u>

Depreciation expense for the six months ended June 30, 2021 and 2020 was \$10,000 and \$4,000, respectively.

#### NOTE 4 – LEASE PAYABLE

The Company adopted ASU 2016-02, Leases, effective January 1, 2019. The standard requires a lessee to record a Right of Use (ROU) asset and a corresponding lease liability at the inception of the lease, initially measured at the present value of the lease payments. As a result, the Company recorded an ROU asset aggregating \$401,000 as of January 1, 2019. That amount consists of a lease, including a purchase option, on the Company’s Conover, North

Carolina facility. The Company intends to exercise the purchase option, and as such, the lease has been reflected as a finance lease.

ASU 2016-02 requires recognition in the statement of operations of a single lease cost, calculated so that the cost of the lease is allocated over the lease term, generally on a straight-line basis. The ROU asset balance was \$200,000 as of December 31, 2020. During the six months ended June 30, 2021, the Company reflected amortization of ROU asset of \$40,000 related to its lease, resulting in a net asset balance of \$160,000 as of June 30, 2021.

As of June 30, 2021, the original lease term had expired. The weighted average discount rate for the finance lease is 6.0%. Under the terms of the lease, the Company has the option, which it intends to exercise by the end of 2021, to purchase the leased property for a price of \$400,000 prior to, or shortly after, the end of the lease term. The payments of rents made by the Company to the landlord prior to the Company's exercise of the purchase option, will be credited towards the purchase price by first deducting interest at 6% per annum with the balance applied to principal in order to determine the option purchase price.

The payments on the finance lease are allocated between principal and interest. As of December 31, 2020, lease liabilities were \$358,000. During the six months ended June 30, 2021, the Company made payments of \$9,000 towards its lease liabilities resulting in a lease liabilities balance of \$348,000 as of June 30, 2021.

#### NOTE 5 – LOANS PAYABLE

Loans payable consists of the following at June 30, 2021 and December 31, 2020:

	<u>June 30, 2021</u>	<u>December 31, 2020</u>
People's Bank loans assigned to private investor (a)	\$ 130,000	\$ 133,000
Private investor loan (b)	365,000	395,000
Private investor loan (c)	20,000	50,000
Short term working capital loan	160,000	-
Imputed interest recorded as a debt discount	<u>(91,000)</u>	<u>(106,000)</u>
Total loans payable	584,000	472,000
Less: Loans payable, current portion	<u>(371,000)</u>	<u>(242,000)</u>
Loans payable, net of current portion	<u>\$ 213,000</u>	<u>\$ 230,000</u>

- a. On May 20, 2016, the Company entered into a loan agreement with People's Bank ("Lender"). At December 31, 2017, the principal balance outstanding on the loan was \$680,000. On September 26, 2018, the Lender entered into a Note Sale and Assignment Agreement and Release with a private investor (New Lender), with the Company remaining obligated to the New Lender per the original terms of the loan. During the year ended December 2019, the Company paid the loan in full, including unpaid interest, by conveying Company property (see Note 3) with a net book value of \$408,000, for \$400,000, issued 800,000 shares of the Company's common stock valued at \$200,000 to settle debt of \$141,000, and converted the remaining loan balance of \$139,000 into a new secured note payable dated April 11, 2019, with an interest rate of 6%, maturity date of April 11, 2021, and secured by the assets of the Company subsidiaries B & L Telephone, LLC, and Fortran Communications, Inc. The balance outstanding on the loan was \$133,000 at December 31, 2020. During the six months ended June 30, 2021, the Company made principal loan payments of \$2,000, leaving a balance outstanding of \$130,000 at June 30, 2021.
- b. On October 23, 2019, the Company repurchased 5,688,500 shares of Company common shares, in exchange for a loan payable of \$500,000 to a private investor. The loan has no interest and requires ninety-eight (98) monthly payments of \$5,000, with an initial payment of \$10,000 commencing on December 1, 2019. As this obligation carries no interest, the Company imputed an average interest rate of 6.00% resulting in a discount of \$135,000, which is being amortized on an effective interest rate basis over the term of the note. At December 31, 2020, the balance outstanding was \$395,000. During the six months ended June 30, 2021, the Company made payments of \$30,000, leaving a balance outstanding of \$365,000 at June 30, 2021.

- c. On March 1, 2019, the Company repurchased 5,932,833 shares of Company common stock in exchange for a loan payable of \$175,000 per the terms of a Settlement and Release Agreement with a former Company officer and director. The loan has no interest and requires thirty (30) monthly payments of \$5,000 beginning on May 1, 2019, with an initial payment of \$25,000 on the date of the Settlement and Release Agreement. As this obligation carries no interest, the Company imputed an average interest rate of 6.00% resulting in a discount of \$12,000, which is being amortized on an effective interest rate basis over the term of the note. At December 31, 2020, the balance outstanding was \$50,000. During the six months ended June 30, 2021, the Company made payments of \$30,000, leaving a balance outstanding of \$20,000 at June 30, 2021.

During the year ended December 31, 2019, the Company recorded \$147,000 of imputed interest as a debt discount as discussed in (b) and (c) above. The unamortized balance of debt discount was \$106,000 at December 31, 2020. During the six months ended June 30, 2021, amortization of valuation discount of \$15,000 was recorded as an interest cost, leaving a \$91,000 remaining unamortized balance of the debt discount at June 30, 2021.

Maturities of the Company's loans payable are as follows:

<u>Year Ending</u>	<u>Amount</u>
2021 (remaining 6 months)	\$ 370,000
2022	60,000
2023	60,000
2024	60,000
2025 and beyond	<u>125,000</u>
Total notes payments	675,000
Less: Imputed interest	<u>(91,000)</u>
Total notes payable	<u>\$ 584,000</u>

#### NOTE 6 – GOVERNMENT ASSISTANCE LOANS PAYABLE

Government assistance loans payable consists of the following at June 30, 2021 and December 31, 2020:

	<u>June 30, 2021</u>	<u>December 31, 2020</u>
North Carolina Rapid Recovery loan (a)	21,000	21,000
SBA PPP Loans (b)	113,000	113,000
SBA EIDL Loans (c)	<u>443,000</u>	<u>443,000</u>
Government assistance loans payable	<u>\$ 577,000</u>	<u>\$ 577,000</u>

- a. On October 8, 2020, the Company's subsidiary, B&L Telephone, LLC, obtained a North Carolina Rapid Recovery Loan in the amount of \$21,000. Interest on the loan is at the rate of 0.25% per year for the first 18 months of the loan, and then 5.5% per year thereafter, and all loan payments are deferred for eighteen months, at which time monthly installment payments of \$252 is payable over 8.5 years from the date of the promissory note. The promissory note is secured by all the assets of the Company. The balance outstanding on the loan is \$21,000 at June 30, 2021 and December 31, 2020.
- b. On May 4, 2020 and May 11, 2020, the Company received loans of \$66,000 and \$47,000, respectively, under the PPP. On May 4, 2020 and May 11, 2020, the Company was granted a loan (the "PPP loans") from Bank of America, pursuant to the Paycheck Protection Program (the "PPP") under the CARES Act. The balance outstanding on the PPP loans was \$113,000 at December 31, 2020. On February 24, 2021, the U.S. Small Business Administration (SBA) forgave \$113,000 of the Company's PPP loans, and the Company recorded a gain on the extinguishment of debt of \$113,000.

On February 12, 2021, the Company's subsidiary, Fortran Communications, Inc., received an additional PPP loan of \$47,000 from Bank of America. On April 5, 2021, the Company's subsidiary, B&L Telephone, LLC, received

an additional PPP loan of \$66,000 from Bank of America. The PPP loans mature 60 months from the date of funding, bears interest at a rate of 1% per annum, is unsecured and guaranteed by the U.S. Small Business Administration (SBA). The PPP loans are payable monthly commencing 10 months after the end of the covered period, which was approximately October 12, 2021 and February 5, 2022, respectively. In accordance with the PPP Flexibility Act passed in June 2020, if the Company applies for loan forgiveness within 10 months after the end of the covered period, then no payments are due until the SBA remits payment of a forgiveness amount or determines that no forgiveness is authorized. If the Company does not submit a request for forgiveness within 10 months after the end of the covered period, the Company will begin making payments on the PPP loan.

Funds from the PPP loan may only be used for qualifying expenses as described in the CARES Act, including qualifying payroll costs, qualifying group health care benefits, qualifying rent and debt obligations, and qualifying utilities. The Company intends to use the entire loan amount for qualifying expenses. Under the terms of the PPP, certain amounts of the loan may be forgiven if they are used for qualifying expenses. The Company intends to apply for forgiveness of the PPP loan with respect to these qualifying expenses, however, we cannot assure that such forgiveness of any portion of the PPP loan will occur. As for the potential loan forgiveness, once the PPP loan is, in part or wholly, forgiven and a legal release is received, the liability would be reduced by the amount forgiven and a gain on extinguishment would be recorded. The terms of the PPP loan provide for customary events of default including, among other things, payment defaults, breach of representations and warranties, and insolvency events.

- c. On July 15, 2020, the Company's subsidiary, Fortran Communications, Inc., obtained an Economic Injury Disaster Loan in the amount of \$143,000, pursuant to the Small Business Administration (SBA) authorized (under Section 7(b)) of the Small Business Act, as amended. Interest on the loan is at the rate of 3.75% per year, and all loan payments are deferred for two years, at which time monthly installment payments of approximately \$697 is payable over 30 years from the date of the promissory note. The promissory note is secured by all the assets of the Company. The balance outstanding on the loan is \$143,000 at June 30, 2021 and December 31, 2020.

On July 15, 2020, the Company's subsidiary, B&L Telephone, Inc., obtained an Economic Injury Disaster Loan in the amount of \$150,000, pursuant to the Small Business Administration (SBA) authorized (under Section 7(b)) of the Small Business Act, as amended. Interest on the loan is at the rate of 3.75% per year, and all loan payments are deferred for two years, at which time monthly installment payments of approximately \$731 is payable over 30 years from the date of the promissory note. The promissory note is secured by all the assets of the Company. The balance outstanding on the loan is \$150,000 at June 30, 2021 and December 31, 2020.

On August 5, 2020, Fortran Corporation obtained an Economic Injury Disaster Loan in the amount of \$150,000, pursuant to the Small Business Administration (SBA) authorized (under Section 7(b)) of the Small Business Act, as amended. Interest on the loan is at the rate of 3.75% per year, and all loan payments are deferred for two years, at which time monthly installment payments of approximately \$731 is payable over 30 years from the date of the promissory note. The promissory note is secured by all the assets of the Company. The balance outstanding on the loan is \$150,000 at June 30, 2021 and December 31, 2020.

#### NOTE 7 – CONVERTIBLE NOTES PAYABLE

Convertible unsecured notes payable consisted of the following as of June 30, 2021 and December 31, 2020:

	<u>June 30, 2021</u>	<u>December 31, 2020</u>
Convertible secured notes payable	\$ 1,037,000	\$ 1,037,000
Beneficial conversion feature recorded as a debt discount	(419,000)	(494,000)
Convertible notes payable	<u>\$ 618,000</u>	<u>\$ 543,000</u>

During the twelve months ended December 31, 2018, the Company issued convertible unsecured debentures ("Convertible Notes") to investors in the aggregate principal amount of \$248,000. During the twelve months ended December 31, 2019, the Company issued Convertible Notes in the aggregate principal amount of \$617,000. The

Convertible notes include interest ranging from 5% to 6% per annum, and maturity dates ranging from May 2019 to November 2024. The convertible notes provide a conversion right, in which the principal amount of the Convertible Notes, together with any accrued but unpaid interest, could be converted into the Company's common stock at a conversion price ranging from \$0.10 to \$0.25 per share.

During the twelve months ended December 31, 2019, the Company also issued a Convertible Note of \$250,000 in exchange of a \$250,000 outstanding notes payable. The convertible note provides a conversion right, in which the principal amount of the Convertible Notes, together with any accrued unpaid interest, could be converted into the Company's common stock at a conversion price of \$0.25 per share. As the presence of the conversion feature resulted in a change in present value in excess of 10% of the original note, the fair value of the conversion feature of the note of \$250,000 was recognized as a debt extinguishment cost, and the new note was recorded at its fair value.

At June 30, 2021 and December 31, 2020, the principal balance outstanding on the Convertible Notes was \$1,037,000.

For conventional convertible debt where the rate of conversion is below market value, the Company records a "beneficial conversion feature" ("BCF") and related debt discount. The balance of the debt discount was \$494,000 at December 31, 2020. During the six months ended June 30, 2021, \$75,000 of the debt discount has been amortized into interest expense, leaving a debt discount balance of \$456,000 at March 31, 2021.

Maturities of the Company's convertible notes payable are as follows:

<u>Year Ending</u>	<u>Amount</u>
2021	\$ -
2022	-
2023	160,000
2024	877,000
2025 and beyond	<u>-</u>
Convertible notes payments	1,037,000
Less: Imputed interest	<u>(419,000)</u>
Total convertible notes payable	<u>\$ 618,000</u>

#### **NOTE 8 – INCOME TAXES**

At December 31, 2020, the Company had available Federal and state net operating loss carryforwards to reduce future taxable income. The amounts available were approximately \$4,700,000 for Federal and state purposes. The carryforwards expire in various amounts through 2040. Given the Company's history of net operating losses, management has determined that it is more likely than not that the Company will not be able to realize the tax benefit of the carryforwards. Accordingly, the Company has not recognized a deferred tax asset for this benefit. Section 382 generally limits the use of NOLs and credits following an ownership change, which occurs when one or more 5 percent shareholders increase their ownership, in aggregate, by more than 50 percentage points over the lowest percentage of stock owned by such shareholders at any time during the "testing period" (generally three years).

#### **NOTE 9 – LEGAL PROCEEDINGS**

The Company is engaged from time to time in the defense of lawsuits arising out of the ordinary course and conduct of its business. There is no action, suit, proceeding, inquiry or investigation before or by any court, public board, government agency, self-regulatory organization or body pending or, to the knowledge of the executive officers of the Company or its subsidiaries, threatened against the Company, its common stock, its subsidiaries or the Company or the Company's subsidiaries' officers or directors in their capacities as such.

#### **NOTE 10 – SUBSEQUENT EVENTS**

The Company is not aware of any substantial subsequent events after June 30, 2021 and until the filing of this report.