

# FORTRAN CORPORATION

## Company Information and Disclosure Statement

### Quarterly Report for the Nine Months Ended March 31, 2019

#### *Name of the Issuer and its Predecessors (if any)*

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.

#### *Address of the Issuer's Principal Executive Offices*

##### Company Headquarters

Fortran Corporation  
3210 16<sup>th</sup> Avenue S.E.  
Conover, North Carolina 28613  
(828) 324-4611  
[info@fortrancorp.com](mailto:info@fortrancorp.com)  
[www.fortrancorp.com](http://www.fortrancorp.com)

##### Mailing address

Fortran Corporation  
Post Office Box 1450  
Hickory, North Carolina 28603

#### *IR Contact*

Fortran Corporation  
3210 16<sup>th</sup> Avenue S.E.  
Conover, North Carolina 28613  
(828) 324-4611  
[info@fortrancorp.com](mailto:info@fortrancorp.com)  
[www.fortrancorp.com](http://www.fortrancorp.com)

#### *Security Information*

##### **Trading Symbol: FRTN**

Exact title and class of securities outstanding: Common Stock

CUSIP: 34960D 108

Par or Stated Value: None

Total shares authorized: 50,000,000 as of March 31, 2019

Total shares outstanding: 28,914,351 as of March 31, 2019 and 23,262,828 as of May 15, 2019

Preferred share information:

Exact title and class of securities outstanding: Preferred Stock

CUSIP: N/A

Par or Stated Value: None

Total shares authorized: 10,000,000 as of March 31, 2019

Total shares outstanding: 2,850,000 as of March 31, 2019 and 1,500,000 as of May 15, 2019

### **Transfer Agent**

Colonial Stock Transfer

66 Exchange Place, Suite 100

Salt Lake City, Utah 84111

(801) 355-5740

www.colonialstock.com

The Transfer Agent is registered under the Exchange Act.

List any restrictions on the transfer of security: **See Item F under “Issuance History” below.**

Describe any trading suspension orders issued by the SEC in the past 12 months: **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**

### ***Issuance History***

List below any events, in chronological order, that resulted in changes in total shares outstanding by the issuer in the past two fiscal years and any interim period. The list shall include all offerings of equity 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, describing (1) the securities, (2) the persons or entities to whom such securities were issued and (3) the services provided by such persons or entities. The list shall indicate:

- A. The nature of each offering (e.g., Securities Act Rule 504, interstate, etc.):  
**On 11/23/15, a total of 18,000 shares of common stock were issued to a group of 17 Company employees. On this same date, 5,000,000 shares of common stock were issued to Douglas W. Rink (Mr. Rink’s shares were canceled on May 10, 2019 via a legal settlement, see “Commitments and Contingencies”), and 5,000,000 shares of common stock were issued to Richard C. Wilson.**  
  
**On 1/20/16, 12,500 shares of common stock were issued to Macallan Partners, LLC.**  
  
**On 6/8/2016, 700,000 shares of common stock were issued to James M. Templeton.**

On 5/31/2017, with the effective date of 5/13/2017, 1,600,000 shares of common stock were issued upon conversion of two convertible debentures issued in previous filings. 1,285,714 were issued to Mr. Emmett Crawford and 314,286 were issued to Templeton Family Holdings, LLC.

On 6/30/2017, 687,500 shares of common stock were issued to each of our former officers, Douglas W. Rink (Mr. Rink's shares were canceled on May 10, 2019 via a legal settlement, see "Commitments and Contingencies"), and Richard C. Wilson.

On December 3, 2018, 375,000 shares of common stock were issued to James M. Templeton at a conversion rate of \$.20 per share. Mr. Templeton elected to convert the remaining \$75,000.00 outstanding principal balance of a prior year Convertible Debenture.

On January 16, 2019, the following issuances of Common Stock occurred: 150,000 shares issued to Brett Bertolami; 100,000 shares issued to Douglas Miller; 250,000 shares issued to Dayne Miller; 350,000 shares issued to Glenn Withers; and 52,000 shares issued to Frederick Greer.

All of the above issuances were made pursuant to Section 4(a)(2) of the Securities Act of 1933, as amended (the "Securities Act").

- B. Any jurisdictions where the offering was registered or qualified: **None**
- C. The number of shares offered: **See response to Part A.**
- D. The number of shares sold: **See response to Part A.**
- E. The price at which the shares were offered and the amount actually paid to the issuer: **N/A**
- F. The trading status of the shares: **Restricted. The above shares of Fortran Corporation common stock and preferred stock are "restricted securities" as that term is defined in the rules and regulations of the Securities Act and thus contain restrictions on transferability and sales.**
- G. Whether the certificates or other documents that evidence the shares contain a legend (1) stating that the shares have not been registered under the Securities Act and (2) setting forth or referring to the restrictions on transferability and sale of the shares under the Securities Act: **YES**

**Fortran Corporation has made the following issuances between March 31, 2019 and May 15, 2019**

On May 10, 2019, the following issuance of Common Stock occurred: 800,000 shares issued to Christopher L. Sharman in connection with the Peoples Bank foreclosure deficiency balance. See "Commitments and Contingencies" for further information.

### ***Financial Statements***

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

- A. Balance sheet;
- B. Statement of income;
- C. Statement of cash flows;
- D. Financial notes; and
- E. Audit letter, if audited

The financial statements requested pursuant to this item shall be prepared in accordance with US GAAP by persons with sufficient financial skills.

You may either (i) attach/append the financial statements to this disclosure statement or (ii) post such financial statements through the OTC Disclosure & News Service as a separate report using the appropriate report name for the applicable period end. (“Annual Report,” “Quarterly Report” or “Interim Report”). **See attached Balance Sheet, Statement of Operations, Statement of Cash Flows and Notes to the Financial Statements for the three months and nine months ending March 31, 2019 attached to the end of this Company Information and Disclosure Statement Quarterly Report.**

If you choose to publish the financial reports separately as described in part (ii) 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 otcq.com in the field below. N/A

Information contained in a Financial Report is considered current until the due date for the subsequent Financial Report. To remain in the OTC Pink Current Information tier, a company must post its Annual Report within 90 days from its fiscal year-end date and Quarterly Reports within 45 days of its fiscal quarter-end date.

### ***Describe the Issuer’s Business, Products and Services***

#### **The Company**

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 and the installation, service and repair of cooling towers across the United States. The Company’s businesses are in two main segments:

### **Telecom Service Segment**

We are converting the historical and traditional “telecom” business model to a “Telecom-As-A-Service” (“TaaS”), comprised of engineering and design, network service, technical certifications, on-site service, dedicated sales and engineering resources. The primary services offered through this platform include:

- Manage Service Agreements
- Box Sales
- Move-Adds-Changes (“MAC”)
- Data Cabling and in-building Wireless

The Company’s offerings allow it to service the needs of its clients independent of the technology that they choose, which we believe is a unique competitive advantage. For the sale and implementation of new box sales, or other major projects, most significant orders are subject to competitive bidding processes and, generally, competition can be significant for such new orders. The Company is continually bidding on new products to maintain and grow service revenues. Projects account for the majority of service revenues and are primarily driven by the overall economic environment and information technology capital spending. The Company also serves government clients whose revenues are not as dependent on the overall economic environment as commercial clients but are subject to governmental budgetary constraints.

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 would result in a fixed fee earned ratably over the term of the contract. Recently, some of our clients have adopted a variable fee model based on time and materials per occurrence, similar to MAC work. While this shift decreases our contractually obligated revenues, the variable model also generates profitable revenues. Revenues from MSA generally are not dependent on the economy as clients contract for maintenance to extend the life of their existing equipment and delay capital spending on new communications systems. MSA and MAC work revenues are also dependent upon the Company’s relationship with its clients and its long track record of providing high-quality service.

The Telecom Service Segment of business is operated in a 10,000 square foot, two story facility in Conover, North Carolina.

### **Cooling Tower Service Segment**

On November 16, 2015, we acquired an eighty percent (80%) interest in Tower Performance, Inc. (“TPI”) to provide cooling tower services. TPI is a national specialty contractor involved with the repair, maintenance, upgrade, inspection, construction and sale of parts for all types of cooling towers, mechanical equipment parts and maintenance of air coolers. TPI has its own trained crews that perform work at its customers’ facilities.

## Sales and Marketing

The Company acquires customers through the following sales and marketing methods:

- Ten full-time sales employees
- Advertise in ThomasNet
- Membership in the cooling Technology Institute
- Customer and supplier referrals
- Trade shows
- Magazine advertising

## Customer Markets

TPI targets several industries including:

- Utilities, Chemical/petrochemical, Commercial real estate, Colleges and institutions
- Phosphate/fertilizer, Steel, Hospitals, Air Separation, Paper/bottling, Export/wholesale

This diversification protects the Company from the impact of a downturn in any specific industry and results in consistent demand.

## Organization

TPI is organized as a C-Corporation and was established in 1964. TPI is headquartered in Florham Park, New Jersey in a 3,000 square foot office approximately 10 miles northwest of Newark Liberty International Airport. Additionally, TPI leases a 2,000 square foot office and a 4,000 square foot warehouse/yard in Houston, Texas. TPI leases its facilities from third parties at a fair market rate of \$109,000 per year.

## Employee Base

TPI has 50-70 full-time employees, including 10 salespersons, a construction crew of up to 60 in Texas and 4 in New York/New Jersey and 3 administrative persons. TPI values its staff and their experience and that treatment is reflected in a low employee turnover rate.

TPI has several success drivers in this industry:

- With revenue derived from over 10 industries, TPI is highly diversified, protecting it from the impact of a downturn in a single industry and reducing operational risk
- TPI has developed an established brand name over its 50+ years of operation resulting in significant industry recognition, customer referrals and repeat business.
- TPI provides its products and services to large and established clients, including Arizona Public Service, ExxonMobil, Valero, US Steel, PBF Energy and Mosaic. These utility and publicly traded companies result in consistent demand and stable revenue streams for TPI.

TPI produced net revenues of \$6,759,000 and \$7,515,000 for the nine months ended March 31, 2019 and 2018, respectively.

### *Describe the 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.

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 property or if there is a mortgage on the property), describe the limitations of ownership.

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

**See the “Describe the Issuer’s Business, Products and Services” section above.**

### *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 shareholders.

- A. Names of Officers, Directors, and Control Persons. In responding to this item, please provide the names of each of the issuer’s executive officers, directors, general partners and control persons (control persons are beneficial owners of more than five percent (5%) of any class of the issuer’s equity securities), as of the date of this information statement.

As of May 15, 2019, the officers, directors and control persons of Fortran Corporation are set forth below:

Director	Glenn E. Withers (Chairman)
Director	Douglas L. Miller
Director	Dayne L. Miller
Director	Brett Bertolami (Vice Chairman)
President, CEO	Glenn E. Withers
Vice President	Brett Bertolami
CFO	Dayne L. Miller
Asst. Secretary	Dayne L. Miller
Control Person	Richard C. Wilson (greater than 5% of outstanding common stock and greater than 5% of outstanding preferred stock)
Control Person	James M. Templeton (greater than 5% of outstanding common stock and greater than 5% of outstanding preferred stock)
Control Person	Brett Bertolami (greater than 5% of outstanding preferred stock)
Control Person	Glenn Withers (greater than 5% of outstanding preferred stock)
Control Person	Emmett D. Crawford (greater than 5% of outstanding common stock)

Control Person	Charles D. Miller (greater than 5% of outstanding common stock)
Control Person	Philip A. Miller (greater than 5% of outstanding common stock)
Control Person	Douglas L. Miller (greater than 5% of outstanding common stock)
Control Person	Sherry T. Miller (greater than 5% of outstanding common stock)
Control Person	Donna T. Sharman (greater than 5% of outstanding common stock)
Control Person	Peter A. R. Sharman (greater than 5% of outstanding common stock)
Control Person	Christopher L. Sharman (greater than 5% of outstanding common stock)

B. Legal/Disciplinary History. Please identify whether any of the foregoing persons have, in the last five 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. 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. 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.**

C. Beneficial Shareholders. Provide a list of the name, address and shareholding or the percentage of shares owned by all persons beneficially owning more than ten percent (10%) of any class of the issuer's equity securities. If any of the beneficial shareholders are corporate shareholders, provide the name and address of the person(s) owning or controlling such corporate shareholders and the resident agents of the corporate shareholders.

As of March 31, 2019, the names, addresses and shareholdings of the Beneficial Shareholders of Fortran Corporation are set forth below:

Richard C. Wilson  
5026 Bethel Road  
Scottsburg, VA 24589

Common Stock: 5,688,500  
Preferred Stock: 350,000

Douglas W. Rink  
P.O. Box 405  
Newton, NC 28658

Common Stock: 5,932,833  
Preferred Stock: 1,350,000

(Mr. Rink's shares of Common Stock and Preferred Stock were canceled on May 10, 2019 via a legal settlement. See "Commitments and Contingencies")

James M. Templeton  
P.O. Box 92  
Newton, NC 28658

Preferred Stock: 500,000

Glenn Withers  
41 Scotland Street  
Ocean Isle Beach, NC 28469

Preferred Stock: 500,000

Brett Bertolami  
304 Queens Cove Road  
Mooresville, NC 28117

Preferred Stock: 150,000

### ***Third Party Providers***

Please provide the name, address, telephone number, and email address of each of the following outside providers that advise your company on matters related to operations, business development and disclosure:

#### Accounting Advisory Firm

GreerWalker CPAs and Business Advisors  
Carillon Building  
227 W. Trade Street, Ste. 1100  
Charlotte, NC 28202  
(704) 377-0239

#### Tax Advisory Firm

Keener Cassavaugh Farmer & Connor PA  
426 Harper Avenue NW  
Lenoir, NC 28645  
(828) 758-7779

#### Investor Relations Consultant

Fortran Corporation  
3210 16<sup>th</sup> Avenue S.E.  
Conover, North Carolina 28613  
(828) 324-4611  
[info@fortrancorp.com](mailto:info@fortrancorp.com)  
[www.fortrancorp.com](http://www.fortrancorp.com)

## ***Issuer Certification***

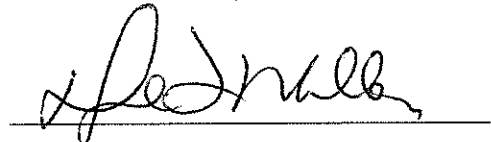
We, Glenn E. Withers and Dayne L. Miller, certify that:

1. We are the Chairman and CFO respectively;
2. We have reviewed this Company Information and Disclosure Statement Quarterly Report (“Disclosure Statement”) of Fortran Corporation.
3. 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 the period covered by this Disclosure Statement; and
4. 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.

May 15, 2019



Glenn E. Withers, Chairman



Dayne L. Miller, CFO

**INTERIM**  
**FINANCIAL STATEMENTS**

March 31, 2019 and March 31, 2018

As of the Nine Months Ended March 31, 2019

***FORTRAN***  
*CORPORATION*

(A North Carolina Corporation)

TRADING SYMBOL: FRTN

CUSIP NUMBER: 34960D 108

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**FORTTRAN CORPORATION**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(unaudited)

	March 31, 2019	March 31, 2018
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 166,702	\$ 193,676
Receivables, less allowances	\$ 24,116	\$ 64,123
Inventories	\$ 95,681	\$ 445,297
Prepaid expenses and other current assets	\$ -	\$ -
<b>Total current assets</b>	<b>\$ 286,499</b>	<b>\$ 703,096</b>
Due from affiliate	\$ 1,511,000	\$ 1,311,000
Equity method investment	\$ 2,053,046	\$ 2,451,079
Property, plant and equipment (net)	\$ 63,465	\$ 630,708
Other assets	\$ 254,760	\$ 266,778
<b>Total assets</b>	<b>\$ 4,168,770</b>	<b>\$ 5,362,661</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 281,399	\$ 282,044
Due to affiliate shareholders	\$ 1,100,000	\$ 1,100,000
Deferred revenue	\$ 92,453	\$ -
Accrued expenses	\$ 29,245	\$ -
Current portion debt	\$ 288,115	\$ 1,932,536
Other current liabilities	\$ 2,908	\$ 302,754
<b>Total current liabilities</b>	<b>\$ 1,794,120</b>	<b>\$ 3,617,334</b>
Long-term debt	\$ 1,096,208	\$ -
<b>Total liabilities</b>	<b>\$ 2,890,328</b>	<b>\$ 3,617,334</b>
<b>Commitments and contingencies</b>		
<b>Stockholders' equity:</b>		
Common stock, no par value, 50,000,000 shares authorized, 27,487,351 shares issued, respectively	28,914,351 and \$ 505,000	\$ 120,000
Preferred stock, no par value, 10,000,000 shares authorized, 1,700,000 shares issued, respectively	2,850,000 and	
Additional paid-in capital	\$ 461,634	\$ 461,634
Treasury stock	\$ -	\$ -
Retained earnings	\$ 311,808	\$ 1,163,693
<b>Total stockholders' equity</b>	<b>\$ 1,278,442</b>	<b>\$ 1,745,327</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 4,168,770</b>	<b>\$ 5,362,661</b>

See accompanying notes to condensed consolidated financial statements

**FORTRAN CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
(unaudited)

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2019	2018	2019	2018
<b>Revenue:</b>				
Net revenues	\$ 318,205	\$ 325,154	\$ 995,683	\$ 903,579
<b>Total revenue</b>	<b>\$ 318,205</b>	<b>\$ 325,154</b>	<b>\$ 995,683</b>	<b>\$ 903,579</b>
<b>Costs and expenses (a):</b>				
Net costs and expenses (exclusive of depreciation, amortization and accretion shown separately below)	\$ 369,357	\$ 328,187	\$ 1,361,284	\$ 884,905
Depreciation, amortization and accretion	\$ 11,228	\$ -	\$ 27,662	\$ -
<b>Total costs and expenses</b>	<b>\$ 380,585</b>	<b>\$ 328,187</b>	<b>\$ 1,388,946</b>	<b>\$ 884,905</b>
<b>Operating income</b>	<b>\$ (62,380)</b>	<b>\$ (3,033)</b>	<b>\$ (393,263)</b>	<b>\$ 18,674</b>
Income (loss) in equity method investment	\$ 55,501	\$ (279,023)	\$ (500,915)	\$ (212,733)
Other income (expense)	\$ 304,761	\$ (4,616)	\$ 616,409	\$ 243,011
Interest expense	\$ (5,820)	\$ (156)	\$ (18,735)	\$ (7,813)
<b>Income before income taxes</b>	<b>\$ 292,062</b>	<b>\$ (286,828)</b>	<b>\$ (296,504)</b>	<b>\$ 41,139</b>
Income tax expense	\$ -	\$ -	\$ -	\$ -
<b>Net income</b>	<b>\$ 292,062</b>	<b>\$ (286,828)</b>	<b>\$ (296,504)</b>	<b>\$ 41,139</b>
<b>Earnings per share:</b>				
Basic	\$ .01	\$ (0.01)	\$ (0.01)	\$ 0.0015
Diluted	\$ .01	\$ (0.01)	\$ (0.01)	\$ 0.0015
<b>Weighted average shares outstanding:</b>				
Basic	28,914,351	27,487,351	28,914,351	27,487,351
Diluted	28,914,351	27,487,351	28,914,351	27,487,351

See accompanying notes to condensed consolidated financial statements.

**FORTRAN CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Unaudited)

	Nine Months Ended March 31,	
	2019	2018
Cash flows from operating activities:		
<b>Net income</b>	\$ (296,504)	\$ 41,139
Cancellation of debt income	\$ (350,722)	\$ -
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization and accretion	\$ 27,662	\$ -
Cancellation of debt income	\$ (350,722)	\$ -
Loss (gain) in equity method investment	\$ 500,915	\$ 212,733
Debt repayments	\$ (288,958)	\$ -
Proceeds from debt	\$ 825,852	\$ -
Changes in operating assets and liabilities:		
Receivables, prepaid expenses and other assets	\$ (148,967)	\$ 23,278
Due from affiliate	\$ -	\$ -
Inventories	\$ 19,319	\$ (39,306)
Accounts payable, deferred revenue and other liabilities	\$ (212,242)	\$ (1,907)
<b>Net cash provided by operating activities</b>	<b>\$ (460,359)</b>	<b>\$ 235,936</b>
Cash flows from investing activities:		
Capital expenditures	\$ 3,020	\$ (74,355)
Purchases of investments	\$ -	\$ -
<b>Net cash used in investing activities</b>	<b>\$ 3,020</b>	<b>\$ (74,355)</b>
Cash flows from financing activities:		
Debt repayments	\$ (288,958)	\$ -
Proceeds from debt	\$ 825,852	\$ -
<b>Net cash used in financing activities</b>	<b>\$ 536,894</b>	<b>\$ -</b>
(Decrease) increase in cash and cash equivalents	\$ 79,375	\$ 161,581
Cash and cash equivalents at beginning of period	\$ 87,327	\$ 32,095
Cash and cash equivalents at end of period	\$ 166,702	\$ 193,676

See accompanying notes to condensed consolidated financial statements

**FORTRAN CORPORATION AND CONSOLIDATED SUBSIDIARIES**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE THREE MONTHS AND NINE MONTHS ENDED**

**MARCH 31, 2019 AND 2018**

**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 interim financial information.

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 for all periods presented.

***Description of Business***

Fortran Corporation (the "Company") is primarily engaged in the sales, installation and service of telecommunication systems in North Carolina and South Carolina. The Company purchased an eight percent (80%) interest in Tower Performance, Inc. ("TPI") in November 2015. TPI is engaged in the engineering, sales, installation and servicing of cooling towers for large businesses in New Jersey, New York and Texas.

**ITEM 1: 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.

***Earnings (Loss) Per Share***

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 and are based on the weighted average share of common stock 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 necessary for the computation of diluted loss per share.

### ***Fixed Assets***

Office equipment, vehicles and computer software are carried at cost, net of accumulated depreciation and amortization. Depreciation and amortization are 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.

### ***Due From Affiliate***

The amount due from affiliate represents management fees earned for services provided to an equity method investment in prior periods.

### ***Basis of Consolidation***

We present the financial statements of the Company and consolidate those financial statements with the financial statements of all subsidiaries that the Company controls. All significant intercompany transactions and balances have been eliminated from the consolidated financial statements.

Investments in affiliated companies that the Company does not control, but over which the Company exerts significant operating and financial influence, are accounted for using the equity method.

### ***Revenue Recognition***

The Company recognizes revenue when it is realized or realizable and earned. The Company considers revenue realized or realizable and earned when all of the following criteria are met: (i) persuasive evidence of an arrangement exists, (ii) the product has been shipped or the services have been rendered to the customer, (iii) the sales price is fixed or determinable, and (iv) collectability is reasonably assured.

### ***Allowance for Doubtful Accounts***

Trade accounts receivable are stated net of an allowance for doubtful accounts. The Company estimates the allowance based on an analysis of specific customers, taking into consideration the age of past due accounts and an assessment of the customer's ability to pay. As of March 31, 2019 and 2018, all remaining accounts receivable were considered collectible. Accordingly, no allowance has been provided in the accompanying financial statements.

### ***Inventory***

Inventory consists of parts and materials valued at the lower of cost (first-in, first-out method) or net realizable value.

### ***Subsequent Events***

In preparing the consolidated financial statements, the Company has evaluated subsequent events through May 15, 2019, which is the date the financial statements were available to be issued.

### ***Going Concern Statement***

These financial statements have been prepared in accordance with generally accepted accounting principles applicable to a going concern, which contemplates the realization of assets and the satisfaction of liabilities and commitments in the normal course of business. The Company's ability to continue as a going concern is contingent upon its ability to achieve and maintain profitable operations, and the Company's ability to raise additional capital as required. These conditions raise substantial doubt about the Company's ability to continue as a going concern. The liquidity situation is improving rapidly, but ultimate success depends upon signed contracts with commensurate financing. (See subsequent events)

### ***Tower Performance, Inc.'s Liabilities***

In conjunction with the purchase of eighty percent (80%) of TPI's stock on October 31, 2015, the Company entered into three subordinated promissory notes of \$266,667 each, payable to the three individual sellers (the "Sellers") of TPI upon maturity in November 2018. Interest is payable monthly at a five percent (5%) annual rate and is current through the period ended March 31, 2019 and 2018. Although the maturity date was November 2018, the Company feels strongly that a favorable restructuring of this debt obligation will occur by the end of this Fiscal year.

The TPI purchase agreement also provides Sellers with a put option requiring the Company to purchase the remaining twenty percent (20%) of TPI stock. The put option became exercisable at August 31, 2018; and, subsequent to that date, was exercised by the Sellers prior to its expiration. The put price is to be calculated by multiplying TPI's average gross profit for the 12 month periods ending March 31, 2016, 2017 and 2018 by .829, minus the initial purchase price of \$2,200,000. The Sellers have calculated a put price of \$335,000, but the Company has yet to finalize the put option transaction. No amounts have been recorded related to the put option at March 31, 2019 or 2018.

In addition, the Company owes Sellers \$300,000 held in a deposit account for three years after the transaction date. This amount does not bear interest and is expected to be paid in 2019. The liability was recorded as debt at March 31, 2019 and 2018.

## ***Debt Information***

On February 10, 2016, The New Telephone Co. and B & L Telephone, LLC, subsidiaries of the Company, borrowed \$115,625.00 plus interest at a rate of thirty two percent (32%) payable at \$433.59 per day from CAN Capital. As of March 31, 2018, the outstanding principal balance was \$26,450.31. The Company negotiated a favorable settlement of this obligation during the nine months ending March 31, 2019 and paid \$10,000.00 to CAN Capital. The remaining \$16,450.31 balance was record as “Other Income” in the Statement of Operations.

On March 26, 2007, New Telephone, Inc. borrowed \$750,000 from Banco Poplar at a rate of Prime + 2.75 percent per annum. Said loan was secured by New Telephone, Inc.’s assets, real estate owned by Rink Media and a personal guarantee of Douglas Rink. On August 17, 2017 Banco Poplar filed suit against New Telephone, Inc., Rink Media and Douglas Rink personally for non-payment of this loan. As of March 31, 2018, the outstanding principal balance of this obligation was \$115,750.00. The Company negotiated a favorable settlement of this obligation during the nine months ending March 31, 2019 and paid \$81,478.02 to Banco Poplar. The remaining \$34,271.98 balance was record as “Other Income” in the Statement of Operations.

On June 6, 2014 Templeton Family Holdings purchased a convertible debenture from the Company in the amount of \$110,000 plus interest payable monthly at a rate of six percent (6%) per annum. On July 10, 2017 Templeton Family Holdings filed suit against the Company for non-payment. On November 20, 2017, the court issued a judgment to Templeton Family Holdings in the amount of \$112,000 plus interest and attorney’s fees. As of March 31, 2018, the outstanding principal balance was \$110,000 and the outstanding interest and fees was \$10,564.06. The outstanding interest and fees were paid in the quarter ended March 31, 2019. Templeton Family Holdings exercised its option to convert the outstanding principal balance to 314,286 shares of common stock at a rate of \$.35 per common share. These common shares were issued on March 13, 2019.

On October 20, 2015, James M. Templeton loaned the Company \$300,000 payable at \$25,000 per month at an interest rate of ten percent (10%) per annum, with principal and interest paid monthly and with all payments due in full by October 15, 2016. On October 5, 2016, Mr. Templeton filed suit against the Company in the amount of \$300,000 plus interest and attorney’s fees for non-payment. On August 28, 2017 the court awarded Mr. Templeton a judgment in the amount of \$300,000 plus interest and attorney’s fees, which were recorded as liabilities at March 31, 2019. On December 3, 2018, the remaining principal balance, including accrued interest, was \$75,000. On that date, Mr. Templeton exercised his option to convert the outstanding balance to 375,000 shares of common stock at the rate of \$.25 per common share.

On May 20th, 2016 Peoples Bank, Inc. in Newton, NC loaned the Company \$650,000 on two different tracks of land, including buildings. At the same time Peoples Bank loaned the Company \$500,000 as a revolving account for the Company. In December 2016 the Company sold its property located at 725 11th Ave. SE, Hickory NC and reduced the \$650,000 loan by \$380,000. On July 25, 2018 Peoples Bank filed suit against the Company for non-payment on each of the above (See “Commitments and Contingencies”). Peoples Bank followed this action with a foreclosure suit against the Company on the office building of the Company. Sale of said foreclosure property was held during the month of November 2018. At the time legal action

began, the approximate balance was \$680,355.89 which was reflected as an outstanding obligation at March 31, 2018 in the accompanying Balance Sheet. It was anticipated that a deficiency balance would remain after the foreclosure sale. This balance was dealt with in the courts in accordance with the suit initially filed by Peoples Bank. After the foreclosure sale, the Company negotiated a fair rental agreement with the new owner. The property was sold by the bank for \$400,000.00 which ultimately left a deficiency balance of \$338,957.85 which included all attorneys' fees, property taxes and closing costs. During the nine months ending March 31, 2019, this deficiency balance was settled by executing a Promissory Note to Peter A. R. Sharman for \$138,957.85 and the issuance of 800,000 shares of common stock to Christopher L. Sharman with a conversion price of \$.25 per common share.

On May 16, 2018 the Company issued to James M. Templeton a promissory note in the amount of \$78,114.77 with an interest rate of five percent (5%) per annum payable upon demand with an option to convert to the Company preferred stock at \$.10 cents per share at any time prior to maturity. The maturity date of this Convertible Debenture is May 16, 2023. Said note was issued in connection with a settlement and mutual release agreement with Mr. Templeton and certain shareholders.

On November 23, 2018, Douglas L. Miller purchased a Convertible Debenture from the Company in the amount of \$60,000.00 plus interest payable monthly at a rate of six percent (6%) per annum. The maturity date of this Convertible Debenture is November 23, 2023. Under the terms of this Convertible Debenture, Mr. Miller is entitled, at his option, to convert all or any lesser portion of the outstanding principal amount into shares of common stock of the Company at a conversion price of \$.25 per common share at any time prior to maturity.

On December 21, 2018, James M. Templeton purchased a Convertible Debenture from the Company in the amount of \$100,000.00 plus interest payable monthly at a rate of six percent (6%) per annum. The maturity date of this Convertible Debenture is December 21, 2023. Under the terms of this Convertible Debenture, Mr. Templeton is entitled, at his option, to convert all or any lesser portion of the outstanding principal amount into shares of common stock of the Company at a conversion price of \$.25 per common share at any time prior to maturity.

On January 8, 2019, James M. Templeton purchased a Convertible Debenture from the Company in the amount of \$150,000.00 plus interest payable monthly at a rate of six percent (6%) per annum. The maturity date of this Convertible Debenture is January 8, 2024. Under the terms of this Convertible Debenture, Mr. Templeton is entitled, at his option, to convert all or any lesser portion of the outstanding principal amount into shares of common stock of the Company at a conversion price of \$.25 per common share at any time prior to maturity.

On March 13, 2019, James M. Templeton purchased a Convertible Debenture from the Company in the amount of \$100,000.00 plus interest payable monthly at a rate of six percent (6%) per annum. The maturity date of this Convertible Debenture is March 13, 2024. Under the terms of this Convertible Debenture, Mr. Templeton is entitled, at his option, to convert all or any lesser portion of the outstanding principal amount into shares of common stock of the Company at a conversion price of \$.25 per common share at any time prior to maturity.

On March 28, 2019, Charles D. Miller purchased a Convertible Debenture from the Company in the amount of \$150,000.00 plus interest payable monthly at a rate of six percent (6%) per annum.

The maturity date of this Convertible Debenture is March 28, 2024. Under the terms of this Convertible Debenture, Mr. Miller is entitled, at his option, to convert all or any lesser portion of the outstanding principal amount into shares of common stock of the Company at a conversion price of \$.25 per common share at any time prior to maturity.

On March 29, 2019, James M. Templeton purchased a Convertible Debenture from the Company in the amount of \$100,000.00 plus interest payable monthly at a rate of six percent (6%) per annum. The maturity date of this Convertible Debenture is March 29, 2024. Under the terms of this Convertible Debenture, Mr. Templeton is entitled, at his option, to convert all or any lesser portion of the outstanding principal amount into shares of common stock of the Company at a conversion price of \$.25 per common share at any time prior to maturity.

On March 29, 2019, Peter A. R. Sharman purchased a Convertible Debenture from the Company in the amount of \$107,250.00 plus interest payable monthly at a rate of six percent (6%) per annum. The maturity date of this Convertible Debenture is March 29, 2024. Under the terms of this Convertible Debenture, Mr. Sharman is entitled, at his option, to convert all or any lesser portion of the outstanding principal amount into shares of common stock of the Company at a conversion price of \$.25 per common share at any time prior to maturity.

On February 21, 2019, the Company settled its legal matters with TCA Global by executing a Promissory Note in the amount of \$400,000.00 plus giving title to a small tract of land in Lexington, NC with a transfer value of \$100,000.00. This tract of land was not carried on the accounting records by the prior management; therefore, there is no Balance Sheet or Income Statement affect with its release to TCA Global. The Company recognized \$300,000.00 as "Other Income" in the Statement of Operations as a result of the TCA Global settlement (See "Commitments and Contingencies"). The Promissory Note required the Company pay \$150,000.00 to TCA Global on April 3, 2019 and \$15,000.00 per month for 16 months and a final payment of \$10,000.00 in the 17<sup>th</sup> month. This Promissory Note bears no interest rate. This Promissory Note had a balance at March 31, 2018 of \$700,000.00.

**Please see the Commitments and Contingencies Footnote below for additional legal matters related to certain Debt Instruments.**

### ***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, including its equity method investment, and the Company does not consider these assets to be impaired.

### ***Income Taxes***

Income taxes are accounted for in 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 fully realizable. Deferred tax assets and liabilities are adjusted for the effect of changes in tax laws and rates on the date of enactment.

The Company expects to see a higher effective tax rate as a result of higher revenues and lower costs throughout the fiscal year. The effective tax rate for the period ended March 31, 2019 was zero percent (0%).

### ***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.

### ***Commitments and Contingencies***

On May 9, 2018, Peoples Bank filed a complaint against the Company, MMMG Transport, LLC, New TPI, LLC and Douglas Rink in the North Carolina General Court of Justice, Superior Court Division for Catawba County (Case No. 18-CVS-1256). Plaintiff Peoples Bank alleges in its complaint that the Company defaulted on two promissory notes in the original principal amounts of \$650,000.00 and \$500,000.00 (collectively, the "Promissory Notes"). Peoples Bank alleges that the principal sum of \$680,355.89 plus interest remain unpaid on the Promissory Notes. Plaintiff further alleged that defendant Douglas Rink executed and delivered an unlimited personal guaranty of the Promissory Notes, and that the Company's subsidiaries (MMMG Transport, LLC and New TPI, LLC) granted Plaintiff a security interest in certain assets and real property to secure the loans. Plaintiff sought the payment of the unpaid principal sums plus interest and related costs and attorneys' fees associated with this action. After the filing of the complaint, Peoples Bank assigned all of its interests in the Promissory Notes to third parties Peter Sharman and Donna Sharman, who are now successors in interest to Peoples Bank on the Promissory Notes and are served as the

Plaintiffs in this legal proceeding. The Sharmans purchased the bank's position for \$400,000.00 which left a deficiency balance of \$338,957.85. The Company executed a Promissory Note with the Sharmans for \$138,957.85 and issued 800,000 shares of common stock to Christopher L. Sharman at a conversion rate of \$.25 per common share. The Company negotiated a favorable Lease Agreement with the Sharmans of \$4,000 per month, triple net, for 24 months.

On August 23, 2018, the Company filed a complaint against Douglas Rink in the North Carolina General Court of Justice, Superior Court Division for Catawba County (Case No. 18-CVS-2382). In the Company's action against Doug Rink, the Company seeks to invalidate 5 million shares of Common Stock and 350,000 shares of Series A Preferred Stock. The Company also seeks to invalidate 247,975 additional shares of Common Stock that Doug Rink improperly transferred to himself in connection with the settlement of a lawsuit with another party (Todd Rankin). Defendant Rink served as the President, CEO and Chairman of the board of directors of the Company from 2013 until his resignation on April 19, 2018. The complaint alleges that defendant Rink breached his fiduciary duties while serving as an officer and director of the Company and engaged in self-interested transactions to benefit himself at the expense of the Company. The complaint alleges that defendant Rink improperly issued shares of the Company's common stock and Series A Preferred Stock to himself without the vote, consent or approval of all the members of the board of directors of the Company. The complaint further alleges that defendant Rink mismanaged the Company's operations and finances and that he misappropriated certain of the Company's assets for his personal use and benefit. The complaint asserts claims against defendant Rink for declaratory relief, breach of fiduciary duty, constructive fraud, unfair and deceptive trade practices, negligence, conversion and civil theft. Defendant Rink responded to the complaint on December 27, 2018, denying the allegations of the Company's complaint and asserting various counterclaims against the Company, including a request for a judicial dissolution and appointment of a receiver. On March 1, 2019, the Company and Douglas Rink entered into a Settlement and Release Agreement whereby Douglas Rink would, among other things, on or before April 1, 2019 deliver to the Company all Company stock certificates in his possession or control, sign a stipulation of dismissal with prejudice of his counterclaims in Case No. 18-CVS-2382 and resign as an officer, director and/or manager of all of the Company's subsidiaries. Pursuant to the same Settlement and Release Agreement, the Company agreed to, among other things, on or before April 1, 2019 file a stipulation of dismissal with prejudice of the claims in Case No. 18-CVS-2382 and pay Douglas Rink the amount of \$175,000. On May 10, 2019, Douglas Rink's shares of common stock and preferred stock of the Company were canceled. To the Company's knowledge, the obligations of the Company and Douglas Rink under the Settlement and Release Agreement have been satisfied and the case has been dismissed.

On August 16, 2018, TCA Global Credit Master Fund ("TCA") filed, as the sole petitioning creditor, an involuntary bankruptcy petition under title 11 of the U.S. Bankruptcy Code against the Company (the "Involuntary Petition"). The Involuntary Petition was filed in the United States Bankruptcy Court for the Western District of North Carolina (Case No. 18-50532). The Company disputes that the Involuntary Petition was properly filed. The Company reached a favorable settlement with TCA Global on February 21, 2019. The Company executed a Promissory Note in the amount of \$400,000.00 plus gave TCA Global clear title to a tract of land in Lexington, NC. This tract of land was not carried on the accounting records of the previous management so there is no Balance Sheet or Income Statement affect for this transfer of land. The Promissory Note obligated the Company to pay \$150,000.00 on April 3, 2109 and \$15,000.00 per month for 16

months with a final payment of \$10,000.00 in the 17<sup>th</sup> month. This Promissory Note bears no interest rate. This settlement resulted in a \$300,000.00 reduction in the total amount due and this reduction is accounted for in “Other Income” on the Statement of Operations.

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Banco Popular obtained a default judgment in the total amount of approximately \$131,000 (including principal, interest and fees). The Company settled this obligation with Banco Poplar with a payment of \$81,478.02. This settlement resulted in a \$34,271.98 reduction in the total amount due and this reduction is accounted for in “Other Income” on the Statement of Operations.

**Where a probable contingent liability exists and the amount of the loss can be easily estimated, the Company records the estimated liability. Considerable judgment is required in analyzing and recording such liabilities and actual results may vary from the estimates. Management is not aware of any unrecorded liabilities for which payment is probable and the amount can be reasonably estimated.**