

## 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

<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 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:
      - i. Quarterly Report within **45 days** of the quarter end
      - ii. Annual Report within **90 days** of the fiscal year end
      - iii. Attorney Letter within **120 days** of the fiscal year end.
    - Maintain a Verified Profile. At least once every six months, review and verify the Company's profile information through OTCIQ.

### **Pink Limited Information Tier**

Companies that make the information described below publicly available through OTCIQ may qualify for the Limited Information Tier.

8. **Annual Financial Statements:** Companies must upload the below financial statements for a completed Fiscal Year within the past 16 months. 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.
10. To Qualify for Limited Information on an ongoing basis, companies must:
  - Upload reports through OTCIQ on the following schedule:
    - i. **Annual Report** (including the required financial statements outlined in Item 8) within 120 days of the fiscal year end

- Maintain a Verified Profile. At least once every six months, review and verify their the Company's profile information through OTCIQ.

### **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
- Changes to the company's shell status
- 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.otcmarkets.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: September 30, 2022 (the "Reporting Period")

As of September 30, 2022 (the current reporting period), the number of shares outstanding of our Common Stock was: 21,359,465

As of June 30, 2022 (the previous reporting period), the number of shares outstanding of our Common Stock was: 21,359,465

As of December 31, 2021 (the most recent completed fiscal year end date), the number of shares outstanding of our Common Stock was: 18,639,465

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:

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<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: September 30, 2022  
Total shares outstanding: 21,359,465 as of date: September 30, 2022 and  
21,359,465 as of November 9, 2022  
Number of shares in the Public Float<sup>6</sup>: 15,767,063 as of date: November 9, 2022  
Total number of shareholders of record: 349 as of date: November 9, 2022

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:

| Number of Shares outstanding as of January 1, 2020: |   | Opening Balance:                       |                     |   |  |  |   |   |                                 |
|---|---|--|---------------------|---|--|--|---|---|---------------------------------|
|   |   | Common: 17,936,828                     |                     |   |  |  |   |   |                                 |
|   |   | Preferred: NONE                        |                     |   |  |  |   |   |                                 |
| 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? |
| 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 Petrucci  | 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) |
| January 18, 2022                                    | New Issuance  | 120,000 | Common | \$.0900 | No | Walter Barrymore                    | Purchase of M&B Communications LLC   | Restricted | Exemption (1) |
| January 18, 2022                                    | New Issuance  | 80,000  | Common | \$.0900 | No | Steven Barrymore                    | Purchase of M&B Communications LLC   | Restricted | Exemption (1) |
| February 8, 2022                                    | New Issuance  | 10,000  | Common | \$.1300 | No | Mary Ackerman                       | Employee Compensation                | Restricted | Exemption (1) |
| February 8, 2022                                    | New Issuance  | 10,000  | Common | \$.1300 | No | Stephen Bruner                      | Employee Compensation                | Restricted | Exemption (1) |
| February 8, 2022                                    | New Issuance  | 100,000 | Common | \$.1300 | No | F. Kent Greer                       | Employee Compensation                | Restricted | Exemption (1) |
| February 8, 2022                                    | New Issuance  | 50,000  | Common | \$.1300 | No | Brett Bertolami                     | Board Member Compensation            | Restricted | Exemption (1) |
| February 8, 2022                                    | New Issuance  | 50,000  | Common | \$.1300 | No | Douglas Miller                      | Board Member Compensation            | Restricted | Exemption (1) |
| February 8, 2022                                    | New Issuance  | 700,000 | Common | \$.1300 | No | Dayne L. Miller                     | Employee / Board Member Compensation | Restricted | Exemption (1) |
| February 8, 2022                                    | New Issuance  | 100,000 | Common | \$.1300 | No | Glenn Withers                       | Employee / Board Member Compensation | Restricted | Exemption (1) |
| March 8, 2022                                       | New Issuance  | 750,000 | Common | \$.1100 | No | Robert Radcliff, Jr.                | Purchase of Comconexx LLC            | Restricted | Exemption (1) |
| March 8, 2022                                       | New Issuance  | 750,000 | Common | \$.1100 | No | Chase Radcliff                      | Purchase of Comconexx LLC            | Restricted | Exemption (1) |
| Number of Shares Outstanding on September 30, 2022: | <u>Ending Balance:</u><br>Common: 21,359,465<br>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 September 30, 2022 and November 9, 2022**

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 2, 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                        | \$642                 | 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   | 125,107.50 | 138,957.85 | \$391 | 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 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 | 290,000.00 | 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 |

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

**None**

**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.

<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.

- A. Balance sheet;
- B. Statement of income;
- C. Statement of cash flows;
- D. Statement of Retained Earnings (Statement of Changes in Stockholders' Equity)
- E. Financial notes; and
- F. 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 September 30, 2022 attached to the end of this Disclosure Statement Pursuant to the Pink Basic Disclosure Guidelines Annual 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.

## **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 North Carolina and South Carolina subsidiaries, is a leading telecommunications system integrator dedicated to designing, sourcing, implementing and maintaining complex telecommunications solutions primarily in North Carolina and South Carolina. The Company's Florida subsidiary provides quality information and technical support on voice, data, fiber optics networks as well as expert advice on phone, CCTV, Multi-Media and Audio Video system configurations.

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

The telecom segment currently consists of three operating units. Our subsidiaries, B & L Telephone, LLC and M & B Communications, LLC, both headquartered in Conover, North Carolina, focus 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. Our subsidiary, Comconexx, LLC, headquartered in Fort Myers, Florida, focuses on business and governmental clients throughout Florida.

**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 four operating subsidiaries. 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.

Fortran Corporation 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 was 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. The option purchase price is approximately \$349,000.

## 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% or 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.**

| Name of Officer/Director and Control Person | Affiliation with Company (e.g. Officer/Director/Owner of more than 5%) | Residential Address (City / State Only) | Number of shares owned(1) | Share type/class | Ownership Percentage of Class Outstanding | Note |
|---|--|---|---------------------------|------------------|---|------|
| Glenn E. Withers                            | Officer (President, CEO), Director (Chairman)                          | Ocean Isle Beach, NC                    | 622,279                   | Common           | 2.91%                                     | None |
| Douglas L. Miller                           | Director, Owner of more than 5%  | Elon, NC                                | 1,363,125                 | Common           | 6.38%                                     | None |
| Dayne L. Miller                             | Officer (CFO, Secretary), Director, Owner of more than 5%              | Claremont, NC                           | 1,641,873                 | Common           | 7.69%                                     | None |
| F. Kent Greer                               | Officer (COO)  | Lenoir, NC                              | 202,000                   | Common           | .09%                                      | None |
| Brett Bertolami                             | Director (V. Chairman)   | Mooreville, NC                          | 400,000                   | Common           | 1.87%                                     | None |
| Emmett D. Crawford (Deceased)               | Owner of more than 5%  | Taylorsville, NC                        | 1,285,714                 | Common           | 6.02%                                     | None |
| Charles D. Miller                           | Owner of more than 5%  | Nashville, TN                           | 1,363,125                 | Common           | 6.38%                                     | None |
| Philip A. Miller                            | Owner of more than 5%  | Elon, NC                                | 1,363,125                 | Common           | 6.38%                                     | None |
| Sherry T. Miller                            | Owner of more than 5%  | Elon, NC                                | 1,363,125                 | Common           | 6.38%                                     | None |
| Christopher L. Sharman                      | Owner of more than 5%  | Charleston, SC                          | 1,346,250                 | Common           | 6.30%                                     | None |
| Peter A. R. Sharman                         | Owner of more than 5%  | Conover, NC                             | 1,229,670                 | Common           | 5.76%                                     | None |

**(1) This chart reflects number of shares owned as of September 30, 2022.**

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. 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.**

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.

**See "Note 12 – Legal Proceedings" of the Consolidated Financial Statements for the Nine Months Ended September 30, 2022 which is attached to the end of this Disclosure Statement Pursuant to the Pink Basic Disclosure Guidelines Annual Report.**

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: corevf@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.

**November 9, 2022**

**/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.

**November 9, 2022**

**/s/DAYNE L. MILLER**

**FORTTRAN CORPORATION AND SUBSIDIARIES  
CONSOLIDATED FINANCIAL STATEMENTS  
NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021**

**FORTRAN CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021**  
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**FORTRAN CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**

|   | September 30,<br>2022<br>(Unaudited) | December 31,<br>2021 |
|---|--------------------------------------|----------------------|
| <b>ASSETS</b>   |                                      |                      |
| <b>Current Assets</b>   |                                      |                      |
| Cash  | \$ 27,000                            | \$ 82,000            |
| Accounts receivable, net  | 348,000                              | 36,000               |
| Inventories   | 321,000                              | 65,000               |
| <b>Total Current Assets</b>   | <b>696,000</b>                       | <b>183,000</b>       |
| Property and equipment, net   | 232,000                              | 83,000               |
| Other assets  | -                                    | 10,000               |
| Notes Receivable  | 250,000                              | -                    |
| Investment in subsidiaries  | 283,000                              | -                    |
| <b>Total Assets</b>   | <b>\$ 1,461,000</b>                  | <b>\$ 276,000</b>    |
| <b>LIABILITIES AND SHAREHOLDERS' DEFICIT</b>  |                                      |                      |
| <b>Current Liabilities</b>  |                                      |                      |
| Accounts payable and accrued expenses   | \$ 332,000                           | \$ 253,000           |
| Customer deposits   | -                                    | 12,000               |
| Deferred revenue  | 31,000                               | 96,000               |
| Loans payable, current portion  | 221,000                              | 200,000              |
| <b>Total Current Liabilities</b>  | <b>584,000</b>                       | <b>561,000</b>       |
| Convertible notes payable, net of discount of \$230,000 and \$345,000, respectively   | 807,000                              | 692,000              |
| Loans payable, net of current portion, net of discount of \$61,000 and \$79,000, respectively   | 310,000                              | 251,000              |
| Government assistance loans payable   | 2,109,000                            | 814,000              |
| <b>Total Liabilities</b>  | <b>3,810,000</b>                     | <b>2,318,000</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 September 30, 2022 and December 31, 2021, respectively                      | -                                    | -                    |
| Common stock, \$0.0001 par value, 50,000,000 shares authorized; 21,359,465 and 18,639,465 shares issued and outstanding at September 30, 2022 and December 31, 2021, respectively | 2,000                                | 2,000                |
| Additional paid in capital  | 3,361,000                            | 3,045,000            |
| Accumulated deficit   | (5,712,000)                          | (5,089,000)          |
| <b>Total Shareholders' Deficit</b>  | <b>(2,349,000)</b>                   | <b>(2,042,000)</b>   |
| <b>TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIT</b>  | <b>\$ 1,461,000</b>                  | <b>\$ 276,000</b>    |

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

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

|   | <b>Nine Months Ended September 30,</b> |                |
|---|--|----------------|
|   | <b>2022</b>                            | <b>2021</b>    |
| Revenues  | \$ 1,656,000                           | \$ 1,003,000   |
| Cost of revenues  | 917,000                                | 713,000        |
| Gross profit  | 739,000                                | 290,000        |
| Selling, general and administrative expenses                | 1,185,000                              | 644,000        |
| Loss from operations  | (446,000)                              | (354,000)      |
| Other income (expense)                                      |  |                |
| Other Income  | 136,000                                | 10,000         |
| Gain on forgiveness of government assistance loans          | -                                      | 227,000        |
| Interest expense  | (191,000)                              | (194,000)      |
| Total other income (expense), net                           | (55,000)                               | 43,000         |
| Net Loss  | \$ (501,000)                           | \$ (311,000)   |
| <br>LOSS PER SHARE - BASIC AND DILUTED                      | <br>\$ (0.023)                         | <br>\$ (0.020) |
| <br>WEIGHTED AVERAGE SHARES OUTSTANDING – BASIC AND DILUTED | <br>21,359,465                         | <br>18,639,465 |

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

**FORTTRAN CORPORATION**  
**Consolidated Statement of Changes in Stockholders' Deficit**  
**For the nine months ended September 30, 2022**

|                                    | Preferred stock |        | Common stock |          | \$ 0.0001                  | Accumulated Deficit | Total Stockholders' Deficit |
|------------------------------------|-----------------|--------|--------------|----------|----------------------------|---------------------|-----------------------------|
|                                    | Shares          | Amount | Shares       | Amount   | Additional paid-in capital |                     |                             |
| <b>Balance, September 30, 2021</b> | -               | \$ -   | 18,639,465   | \$ 2,000 | \$ 3,045,000               | \$ (5,076,000)      | \$ (2,029,000)              |
| Net loss                           | -               | -      | -            | -        | -                          | (13,000)            | (13,000)                    |
| Stock Issuance                     |                 |        | -            | -        | -                          | -                   | -                           |
| <b>Balance, December 31, 2021</b>  | -               | \$ -   | 18,639,465   | \$ 2,000 | \$ 3,045,000               | \$ (5,089,000)      | \$ (2,042,000)              |
| Net loss                           | -               | -      | -            | -        | -                          | (501,000)           | (501,000)                   |
| Consolidation of acquisitions      |                 |        |              |          |                            | (122,000)           | (122,000)                   |
| Stock Issuance                     |                 |        | 2,720,000    | -        | 316,000                    | -                   | 316,000                     |
| <b>Balance, September 30, 2022</b> | -               | \$ -   | 21,359,465   | \$ 2,000 | \$ 3,361,000               | \$ (5,712,000)      | \$ (2,349,000)              |

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

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

|  | <b>Nine Months Ended Sept. 30,</b> |                         |
|--|------------------------------------|-------------------------|
|  | <b>2022</b>                        | <b>2021</b>             |
| <b><u>Cash Flows from Operating Activities</u></b>                                       |                                    |                         |
| Net Loss   | \$ (501,000)                       | \$ (311,000)            |
| <b>Adjustments to reconcile net loss to net cash used in operating activities</b>        |                                    |                         |
| Depreciation   | 25,000                             | 14,000                  |
| Amortization of right of use asset   | -                                  | 40,000                  |
| Amortization of debt discount  | 115,000                            | 111,000                 |
| Amortization of imputed interest   | 17,000                             | 21,000                  |
| Stock issued for services  | 133,000                            | 205,000                 |
| Gain on forgiveness of government debt   | -                                  | (227,000)               |
| <b>Changes in operating assets and liabilities</b>                                       |                                    |                         |
| Accounts receivable  | (312,000)                          | (1,000)                 |
| Inventories  | (256,000)                          | 22,000                  |
| Deposits and other assets  | 10,000                             | -                       |
| Accounts payable and accrued expenses  | 79,000                             | 48,000                  |
| Customer deposits  | (12,000)                           | (205,000)               |
| Deferred revenues  | (65,000)                           | 39,000                  |
| <b>Net cash used in operating activities</b>   | <b><u>(767,000)</u></b>            | <b><u>(244,000)</u></b> |
| <b><u>Cash Flows from Investing Activities</u></b>                                       |                                    |                         |
| Purchase of property and equipment   | (174,000)                          | (13,000)                |
| Notes Receivable   | (250,000)                          | -                       |
| Stock issuances, investment in subsidiaries and equity deficits due to acquisitions, net | (222,000)                          | -                       |
| <b>Net cash provided by (used in) investing activities</b>                               | <b><u>(646,000)</u></b>            | <b><u>(13,000)</u></b>  |
| <b><u>Cash Flows from Financing Activities</u></b>                                       |                                    |                         |
| Proceeds from government assistance loans payable  | 1,295,000                          | 114,000                 |
| Proceeds from short term borrowings  | -                                  | 160,000                 |
| Proceeds from financing of fixed asset purchases   | 127,000                            | -                       |
| Payment of loans payable   | (64,000)                           | (148,000)               |
| Payment on lease liability   | -                                  | (9,000)                 |
| <b>Net cash provided by financing activities</b>   | <b><u>1,358,000</u></b>            | <b><u>117,000</u></b>   |
| Net increase (decrease) in cash  | 27,000                             | (140,000)               |
| Cash beginning of period   | 82,000                             | 159,000                 |
| Cash end of period   | <b><u>\$ (55,000)</u></b>          | <b><u>\$ 19,000</u></b> |
| Interest paid  | <u>\$ -</u>                        | <u>\$ -</u>             |
| Taxes paid   | <u>\$ -</u>                        | <u>\$ -</u>             |

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

**FORTTRAN CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021**

**NOTE 1 – ORGANIZATION AND 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, South Carolina, and Florida.

**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 nine months ended September 30, 2022, the Company incurred a net loss of \$501,000, used cash in operations of \$767,000, and had a shareholders’ deficit of \$2,349,000 as of September 30, 2022. 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 September 30, 2022, the Company had cash on hand in the amount of \$27,000. 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**

As of September 30, 2022, the consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries: B&L Telephone, LLC, Fortran Communications, Inc., M&B Communications, LLC, Comconexx, LLC, and The New Telephone Company, Inc. Intercompany transactions and balances have been eliminated in consolidation.

## **Loss per Share Calculations**

Basic earnings (loss) 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 for the nine months ended September 30, 2022 and 2021, respectively, have been excluded from the calculation of weighted average common shares outstanding for the periods then ended, 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 derivative liabilities, 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, South Carolina, and Florida. Our subsidiaries focus on business and governmental clients throughout the Southeast. Our subsidiary 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 nine months ended September 30, 2022 and 2021, the Company recognized \$1,656,000 and \$1,003,000, 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 \$31,000 and \$96,000 at September 30, 2022 and December 31, 2021, respectively.

### **Accounts Receivable**

The Company evaluates the collectability of its trade accounts receivable based on several 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 September 30, 2022 and December 31, 2021, the Company determined that no allowance for doubtful accounts was necessary.

On May 2, 2022, the Company executed a Note Receivable from James M. Templeton in the amount of \$250,000 with an annual interest rate of 4%. This is a "demand note" and can be called at any time. The Company feels this Note Receivable is the safest option to invest the excess cash that the Company has remaining from the SBA EIDL funds until at which time the Company needs the funds for operations.

### **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 September 30, 2022 and December 31, 2021.

The Company provides inventory reserves based on excess and obsolete inventories determined primarily by future demand forecasts. The reserve, if any, 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 September 30, 2022 and December 31, 2021, 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 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 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.

### **Stock-Based Compensation**

The Company periodically issues stock-based compensation to employees and consultants for services rendered. Such issuances vest and expire according to terms established at the issuance date.

Stock-based payments to employees and consultants for acquiring services, which include grants of shares of the Company's stock, are recognized in the financial statements based on their grant date fair values in accordance with ASC 718, *Compensation-Stock Compensation*. Stock-based payments are measured at the grant date fair value and depending on the conditions associated with the vesting of the award, compensation cost is recognized on a straight-line or graded basis over the vesting period. Recognition of compensation expense for nonemployees is in the same period and manner as if the Company had paid cash for the services.

### **Advertising Costs**

Advertising costs are expensed as incurred and are included in selling, general and administrative expenses. Advertising costs were \$18,000 and \$10,000 for the nine months ended September 30, 2022 and 2021, 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 since the interest rates on these obligations are based on prevailing market interest rates.

### **Derivative Financial Instruments**

The Company evaluates its financial instruments to determine if such instruments are derivatives or contain features that qualify as embedded derivatives. For derivative financial instruments that are accounted for as liabilities, the derivative instrument is initially recorded at its fair value and is then re-valued at each reporting date, with changes in the fair value reported in the consolidated statements of operations. The classification of derivative instruments, including whether such instruments should be recorded as liabilities or as equity, is evaluated at the end of each reporting period. Derivative instrument liabilities are classified in the balance sheet as current or non-current based on whether net-cash settlement of the derivative instrument could be required within 12 months of the balance sheet date.

### **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.

In August 2020, the FASB issued ASU 2020-06, Debt — Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity’s Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity’s Own Equity (“ASU 2020-06”). ASU 2020-06 simplifies the accounting for convertible debt by eliminating the beneficial conversion and cash conversion accounting models. Upon adoption of ASU 2020-06, convertible debt proceeds, unless issued with a substantial premium or an embedded conversion feature that is not clearly and closely related to the host contract, will no longer be allocated between debt and equity components. This modification will reduce the issue discount and result in less non-cash interest expense in financial statements. ASU 2020-06 also updates the earnings per share calculation and requires entities to assume share settlement when the convertible debt can be settled in cash or shares. For contracts in an entity’s own equity, the type of contracts primarily affected by ASU 2020-06 are freestanding and embedded features that are accounted for as derivatives under the current guidance due to a failure to meet the settlement assessment by removing the requirements to (i) consider whether the contract would be settled in registered shares, (ii) consider whether collateral is required to be posted, and (iii) assess shareholder rights. ASU 2020-06 is effective for fiscal years beginning after December 15, 2023. Early adoption is permitted, but no earlier than fiscal years beginning after December 15, 2020, and only if adopted as of the beginning of such fiscal year. The adoption of ASU 2020-06 is not expected to have a material impact on the Company’s consolidated financial statement presentation or disclosures.

In May 2021, the FASB issued ASU 2021-04, Earnings Per Share (Topic 260), Debt — Modifications and Extinguishments (Subtopic 470-50), Compensation — Stock Compensation (Topic 718), and Derivatives and Hedging — Contracts in Entity’s Own Equity (Subtopic 815-40): Issuer’s Accounting for Certain Modifications or Exchanges of Freestanding Equity-Classified Written Call Options (“ASU 2021-04”). ASU 2021-04 provides guidance as to how an issuer should account for a modification of the terms or conditions or an exchange of a freestanding equity-classified written call option (i.e., a warrant) that remains classified after modification or exchange as an exchange of the original instrument for a new instrument. An issuer should measure the effect of a modification or exchange as the difference between the fair value of the modified or exchanged warrant and the fair value of that warrant immediately before modification or exchange and then apply a recognition model that comprises four categories of transactions and the corresponding accounting treatment for each category (equity issuance, debt origination, debt modification, and modifications unrelated to equity issuance and debt origination or modification). ASU 2021-04 is effective for

fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. An entity should apply the guidance provided in ASU 2021-04 prospectively to modifications or exchanges occurring on or after the effective date. Early adoption is permitted, including adoption in an interim period. If an entity elects to early adopt ASU 2021-04 in an interim period, the guidance should be applied as of the beginning of the fiscal year that includes that interim period. The adoption of ASU 2021-04 is not expected to have any impact on the Company's consolidated financial statement presentation or disclosures.

In October 2021, the FASB issued ASU 2021-08, Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers. ASU 2021-08 will require companies to recognize and measure contract assets and contract liabilities relating to contracts with customers that are acquired in a business combination in accordance with ASC 606. Under current GAAP, an acquirer generally recognizes assets acquired and liabilities assumed in a business combination, including contract assets and contract liabilities arising from revenue contracts with customers, at fair value on the acquisition date. ASU No. 2021-08 will result in the acquirer recording acquired contract assets and liabilities on the same basis that would have been recorded by the acquiree before the acquisition under ASC Topic 606. The ASU is effective for fiscal years beginning after December 15, 2022, with early adoption permitted. The adoption impact of the new standard will depend on the magnitude of future acquisitions. The standard will not impact acquired contract assets or liabilities from business combinations occurring prior to the adoption date.

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 September 30, 2022 and December 31, 2021:

|   | <u>Sept. 30,<br/>2022</u> | <u>December 31,<br/>2021</u> |
|---|---------------------------|------------------------------|
| Office equipment                                | \$ 64,000                 | \$ 32,000                    |
| Vehicles  | 250,000                   | 90,000                       |
| Equipment and tools                             | 3,000                     | 3,000                        |
| Property and improvements                       | <u>-</u>                  | <u>-</u>                     |
|   | 317,000                   | 125,000                      |
| Less: accumulated depreciation and amortization | <u>(85,000)</u>           | <u>(42,000)</u>              |
| Property and equipment, net                     | <u>\$ 232,000</u>         | <u>\$ 83,000</u>             |

Depreciation expense for the nine months ended September 30, 2022 and 2021 was \$25,000 and \$14,000, respectively.

### NOTE 4 – INVESTMENT AND ADVANCES

In 2015, the Company invested in New TPI, LLC, which was created to purchase an interest in Tower Performance, Inc., Tower Performance of Texas, Inc., and an interest in Tower Performance Construction, Inc. The Company's investment and advances were recorded at its fair value at the end of each period, and the Company determined that the recoverability of its investment and advances balance was \$350,000 at December 31, 2019. In February 2020, the Company sold its interest in New TPI for \$350,000 in cash.

On January 1, 2022, Fortran Corporation purchased the entirety of the ownership interest in M & B Communications, LLC based in Conover, North Carolina. At Closing, the Company issued 120,000 shares of the Company's common stock to Walter H. Barrymore and 80,000 shares of the Company's common stock to Steven M. Barrymore. This issuance of 200,000 shares of the Company's common stock represents the purchase price consideration in its entirety. The Company recorded an \$18,000 investment cost due to the closing price of the common stock on January 3, 2022 was \$.09 per share. The Consolidated Balance Sheets and Consolidated Statements of Operations affect as of September 30, 2022 is as follows:

|                           |         |                         |          |
|---------------------------|---------|-------------------------|----------|
| Cash                      | 1,000   | Revenues                | 40,000   |
| Accounts receivables, net | -       | Cost of revenues        | 16,000   |
| Inventory                 | -       | Selling, general and    |          |
| Accounts payable and      |         | administrative expenses | 44,000   |
| accrued expenses          | -       | Net profit              | (20,000) |
| Shareholder' Equity       | (9,000) |                         |          |

On February 28, 2022, Fortran Corporation purchased the entirety of the ownership interest in Comconexx, LLC based in Fort Myers, Florida. At Closing, the Company paid \$50,000 in certified funds each to Robert A. Radcliff, Jr., and Chase A. Radcliff and issued 750,000 shares of the Company's common stock each to Robert A. Radcliff, Jr., and Chase A. Radcliff. The Company will pay an additional \$50,000 each to Robert A. Radcliff, Jr., and Chase A. Radcliff on March 1, 2023. The Agreement to Purchase Ownership Interests allows for additional future payments is contingent on certain operational thresholds. The Sellers could earn a maximum of an additional \$550,000 over the next four years. Any and all future payments to the Sellers as a result of the operational thresholds will be accounted for as additional purchase price. The Company recorded a \$265,000 investment cost due to the closing price of the common stock on January 3, 2022 was \$.11 per share and the two \$50,000 payments to the sellers. The Consolidated Balance Sheets and Consolidated Statements of Operations affect as of September 30, 2022 is as follows:

|                             |           |                         |           |
|-----------------------------|-----------|-------------------------|-----------|
| Cash                        | 11,000    | Revenues                | 528,000   |
| Accounts receivables, net   | 219,000   | Cost of revenues        | 231,000   |
| Inventory                   | 221,000   | Selling, general and    |           |
| Property and equipment, net | 119,000   | administrative expenses | 486,000   |
|                             |           | Net loss                | (190,000) |
| Shareholder' Deficit        | (324,000) |                         |           |

#### NOTE 5 – LEASE PAYABLE

The Company adopted ASC 842, 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 and corresponding lease liability for the same amount. The amount consisted of a lease, including a purchase option, on the Company's Conover, North Carolina facility. Under the terms of the lease, the Company had the option, which it intended to exercise, to purchase the leased property for a price of \$400,000, pursuant to adequate funding. The payments of rent made by the Company to the landlord prior to the Company's exercise of the purchase option, was to be credited towards the purchase price by first deducting interest at 6% per annum with the balance applied to principal to determine the option purchase price. The Company intended to exercise the purchase option, and as such, the lease was reflected as a finance lease. In accordance with ASC 842, the right-of-use asset as a finance lease was being amortized over the remaining economic life of the underlying asset, and monthly lease payments were being recorded as a reduction to the lease liability and imputed interest expense. ASC 842 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 \$383,000 as of December 31, 2020. During 2021, the Company reflected amortization of ROU asset of \$3,000 through the expiration date of the lease term and made payments on the lease liability of \$1,000. On April 30, 2021, the original lease term expired however, the Company remained in the building on a month-to-month lease term. The balances of the ROU asset and lease liability as of the expiration date of the lease were \$380,000 and \$357,000, respectively. The Company's right to exercise the purchase option was terminated when they did not exercise the option within five days after the expiration of the lease term. As such, the Company wrote-off the remaining balance of the lease liability of \$357,000, net of the balance of the ROU asset of \$380,000 and recorded a \$22,000 gain on the expiration of the lease for the year ended December 31, 2021.

On May 1, 2021, the Company and the landlord executed a "Commercial Lease Agreement Extension" of the original lease. All terms conditions and obligations listed in the original Lease shall continue with the Extension except for the following:

- (a) The Company and the landlord agreed to continue the lease on a "month-to-month" basis with either party having the right to terminate the lease with a 6-month notice given in writing to the other party. The monthly rental payment shall remain at \$4,000 per month.

- (b) The landlord agreed that there will not be any increase in the monthly rent due to the Company remaining in the premises.
- (c) The landlord has agreed to honor the option to purchase for as long as the Company occupies the property and is in good standing with the terms of the lease extension. At the expiration of the term of the original lease on April 30, 2021, the calculated net option purchase price was approximately \$348,000.

#### NOTE 6 -- LOANS PAYABLE

Loans payable consists of the following at September 30, 2022 and December 31, 2021:

|  | <u>Sept. 30,</u><br><u>2022</u> | <u>December 31,</u><br><u>2021</u> |
|--|---------------------------------|------------------------------------|
| Bank loans assigned to private investor (a)  | \$ 125,000                      | \$ 129,000                         |
| Private investor loan (b)                    | 290,000                         | 335,000                            |
| Private investor loan (c)                    | -                               | -                                  |
| Various vehicle loans (d)                    | 177,000                         | 66,000                             |
| Imputed interest recorded as a debt discount | <u>(61,000)</u>                 | <u>(79,000)</u>                    |
| Total loans payable                          | 531,000                         | 451,000                            |
| Less: Loans payable, current portion         | <u>(221,000)</u>                | <u>(200,000)</u>                   |
| Loans payable, net of current portion        | <u>\$ 310,000</u>               | <u>\$ 251,000</u>                  |

- a. In 2019, the Company issued a secured note payable to a private investor for the principal amount of \$139,000 ("loan") with interest rate of 6% per annum, 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 as of December 31, 2019, was \$136,000. During 2020, the Company made principal payments of \$3,000 which reduced the principal balance of the loan to \$133,000 at December 31, 2020. During the twelve months ended December 31, 2021, the Company made principal loan payments of \$4,000, leaving a balance outstanding of \$129,000 as of the year then ended. During the nine months ended September 30, 2022, the Company made principal loan payments of \$4,000, leaving a balance outstanding of \$125,000 as of September 30, 2022.
- 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, 2019, the balance outstanding on loan was \$485,000. During the twelve months ended December 31, 2020, the Company made payments of \$90,000, leaving a balance outstanding of \$395,000 as of the year then ended. During the twelve months ended December 31, 2021, the Company made payments of \$60,000, leaving a balance outstanding of \$335,000 as of the year then ended. During the nine months ended September 30, 2022, the Company made payments of \$45,000, leaving a balance outstanding of \$290,000 as of September 30, 2022.
- 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, 2019, the balance outstanding was \$110,000. During 2020, the Company made payments of \$50,000, leaving a balance outstanding of \$50,000 as of December 31, 2020. During 2021, the Company paid-off the remaining \$50,000 balance of the loan, leaving a balance outstanding of \$0 at December 31, 2021.
- d. The Company purchased four (4) vehicles for approximately \$68,000 during 2021 and four (4) vehicles during the six months ending September 30, 2022 for approximately \$128,000 through financing. The loans

contain interest at rates ranging between 5.79% to 9.89%, all having term of 5 years, and which require principal and interest payments monthly. The Company made payments of \$2,000 in 2021, leaving an outstanding balance of \$66,000 as of December 31, 2021. The Company made payments of \$15,000 in the nine months ended September 30, 2022, leaving an outstanding balance of \$177,000 as of September 30, 2022.

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 twelve months ended December 31, 2021, amortization of valuation discount of \$27,000 was recorded as an interest cost, leaving a \$79,000 remaining unamortized balance of the debt discount at December 31, 2021. During the nine months ended September 30, 2022, amortization of valuation discount of \$17,000 was recorded as an interest cost, leaving a \$61,000 remaining unamortized balance of the debt discount at September 30, 2022.

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

| <u>As of September 30 of each listed year</u> | <u>Amount</u>     |
|---|-------------------|
| 2023  | \$ 221,000        |
| 2024  | 96,000            |
| 2025  | 96,000            |
| 2026  | 96,000            |
| 2027 and beyond                               | <u>83,000</u>     |
| Total notes payments                          | 592,000           |
| Less: Unamortized discount                    | <u>(61,000)</u>   |
| Total notes payable                           | <u>\$ 531,000</u> |

#### NOTE 7 – GOVERNMENT ASSISTANCE LOANS PAYABLE

Government assistance loans payable consists of the following at September 30, 2022 and December 31, 2021:

|  | <u>Sept. 30,<br/>2022</u> | <u>December 31,<br/>2021</u> |
|--|---------------------------|------------------------------|
| North Carolina Rapid Recovery loan (a) | 20,000                    | 21,000                       |
| SBA PPP Loans (b)                      | -                         | -                            |
| SBA EIDL Loans (c)                     | <u>2,089,000</u>          | <u>793,000</u>               |
| Government assistance loans payable    | <u>\$ 2,109,000</u>       | <u>\$ 814,000</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 Company made payments of \$1,000 during the nine months ended September 30, 2022. The balance outstanding on the loan was \$20,000 and \$21,000 at September 30, 2022 and December 31, 2021, respectively.
- b. Pursuant to the Paycheck Protection Program (the "PPP") under the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"), the Company's subsidiaries, Fortran Communications, Inc. ("FCI") and B&L Telephone, LLC ("B&L") received loans from Bank of America during the years ended December 31, 2021 and 2020, for aggregate principal amounts of \$113,000 and \$114,000, respectively, or total of \$227,000 (collectively, "PPP loans").

The PPP loans were to mature 60 months from the date of funding, bore interest at a rate of 1% per annum, were unsecured and guaranteed by the U.S. Small Business Administration (SBA). The Company applied ASC 470, Debt, to account for the PPP loans. The PPP loan and related accrued interest were forgivable after December 31, 2020, as long as the borrower used the loan proceeds for qualifying expenses, including payroll, benefits, rent and utilities, and maintains its payroll levels. Management believes the entire loan amount has been used for qualifying expenses.

The Company filed its application for full loan forgiveness to Bank of America. During the year ended December 31, 2021, the Company received notice from Bank of America that SBA approved the full forgiveness of the Company's total PPP loans of \$227,000. Accordingly, the Company recorded the forgiveness of the total PPP loans of \$227,000 as gain on forgiveness of government assistance loans during the year ended December 31, 2021.

- c. During 2020 and 2021, the Company and its subsidiaries obtained Economic Injury Disaster Loans ("EIDL Loans") pursuant to the SBA authorized (under Section 7(b)) of the Small Business Act. 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 will be payable over 30 years from the date of the EIDL Loans. The EIDL Loans are secured by all the assets of the Company.

During 2020, the Company and its subsidiaries, FCI and B&L, received EIDL Loans for principal amounts of \$150,000, \$143,000, and \$150,000, respectively. These EIDL Loans will require monthly installment payments of \$731, \$697, and \$731, respectively, after the two-year deferral on loan payments. As of December 31, 2020, aggregate outstanding balance of the EIDL Loans was \$443,000,

On November 28, 2021, the Company obtained a loan increase to its original EIDL Loan in the amount of \$350,000. All contractual terms of the original Loan remained in place except that the monthly payment amount increased to \$2,530. As such, total outstanding balance of the EIDL Loans was \$793,000 as of September 30, 2022 and December 31, 2021.

On February 5, 2022, one of the Company's subsidiaries, B&L Telephone, LLC, obtained a loan increase to its original EIDL Loan in the amount of \$891,200. All contractual terms of the original Loan remained in place except that the monthly payment amount increased to \$5,112. As such, total outstanding balance of the EIDL Loans was \$1,041,200 and \$150,000 as of September 30, 2022 and December 31, 2021, respectively.

On February 5, 2022, one of the Company's subsidiaries, Fortran Communications, Inc., obtained a loan increase to its original EIDL Loan in the amount of \$405,100. All contractual terms of the original Loan remained in place except that the monthly payment amount increased to \$2,672. As such, total outstanding balance of the EIDL Loans was \$548,100 and \$143,000 as of September 30, 2022 and December 31, 2021, respectively.

#### **NOTE 8 – REVOLVING SENIOR SECURED CONVERTIBLE CREDIT FACILITY**

On December 31, 2013, and effective March 14, 2014, the Company issued a Revolving Convertible Promissory Note ("Revolver") to TCA Global Credit Master Fund, LP ("TCA") in the principal amount of \$900,000, with an interest rate of 14%, maturity date of September 14, 2014, and secured by the assets of the Company. The revolver provides a conversion right, upon an event of default, in which the principal amount of the Revolver, together with any accrued but unpaid interest, could be converted into the Company's common stock at a conversion price at 85% of the lowest volume weighted average price (VWAP) of the Company's Common Stock during the 5 trading days immediately preceding the conversion date. The Company determined that the conversion price of the Revolver was not a fixed amount because they were subject to an adjustment based on the occurrence of future events. As such, the Company determined that the conversion feature created a derivative at issue date of revolver.

The balance outstanding on the Revolver was \$130,000 on December 31, 2019. During 2020, the Company made its remaining monthly payments of \$130,000, leaving no balance remaining at December 31, 2020 and December 31, 2021.

## NOTE 9 – CONVERTIBLE NOTES PAYABLE

Convertible unsecured notes payable consisted of the following as of September 30, 2022 and December 31, 2021:

|   | <u>Sept. 30,<br/>2022</u> | <u>December 31,<br/>2021</u> |
|---|---------------------------|------------------------------|
| Convertible secured notes payable                         | \$ 1,037,000              | \$ 1,037,000                 |
| Beneficial conversion feature recorded as a debt discount | <u>(230,000)</u>          | <u>(345,000)</u>             |
| Convertible notes payable                                 | <u>\$ 807,000</u>         | <u>\$ 692,000</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 September 30, 2022 and December 31, 2021, the principal balance outstanding on the Convertible Notes was \$1,037,000. The outstanding balance of the Convertible Notes is convertible into approximately 4,158,050 shares of the Company's stock based on its conversion price of \$0.25 per share.

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 on December 31, 2020. During the twelve months ended December 31, 2021, \$149,000 of the debt discount has been amortized into interest expense, leaving a debt discount balance of \$345,000 at December 31, 2021. During the nine months ended September 30, 2022, \$115,000 of the debt discount has been amortized into interest expense, leaving a debt discount balance of \$230,000 at September 30, 2022.

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

| <u>As of September 30 of each year listed</u> | <u>Amount</u>     |
|---|-------------------|
| 2023  | \$ -              |
| 2024  | 937,000           |
| 2025  | 100,000           |
| 2026  | <u>-</u>          |
| Convertible notes payments                    | 1,037,000         |
| Less: Unamortized debt discount               | <u>(230,000)</u>  |
| Total convertible notes payable               | <u>\$ 807,000</u> |

## NOTE 10 – SHAREHOLDERS' DEFICIT

### *Common and Preferred Stock*

The Company is authorized to issue two classes of stock, to be designated, respectively, "Common Stock" and "Preferred Stock."

Each share of Common Stock shall entitle the holder thereof of one vote. Each share of Common Stock shall be equal in all respects to every other share of Common Stock. Each holder of record of issued and outstanding Common Stock shall be entitled to one vote on all matters for each share so held. Subject to the rights and preferences, if any, of the holders of Preferred Stock, each issued and outstanding share of Common Stock shall entitle the record holder thereof to receive dividends and distributions out of funds legally available therefor, when, as and if declared by the Board of Directors, in such amounts and at such times, if any, as the Board of Directors shall determine, ratably in proportion to the number of shares of Common Stock held by each such record holder. Upon any voluntary or involuntary liquidation, dissolution or winding up of the Corporation, after there shall have been paid to or set aside for the holders of any class of capital stock having preference over the Common Stock in such circumstances the full preferential amounts to which they are respectively entitled, the holder of Common Stock, and of any class or series of capital stock entitled to participate in whole or in part therewith as to the distribution of assets, shall be entitled, after payment or provision for the payment of all debts and liabilities of the Corporation, to receive the remaining assets of the Corporation available for distribution, in cash or in kind, ratably in proportion to the number of shares of Common Stock held by each such holder.

The Preferred Stock may be issued from time to time in one or more series pursuant to a resolution or resolutions providing for such issue duly adopted by the Board of Directors. The Board of Directors is further authorized, subject to limitations prescribed by law, to fix by resolution or resolutions the designations, powers, preferences and rights, and the qualifications, limitations or restrictions thereof, of any wholly unissued series of Preferred Stock, including, without limitation, authority to fix by resolution or resolutions the dividend rights, dividend rate, conversion rights, voting rights, rights and terms of redemption (including sinking fund provisions), redemption price or prices, and liquidation preferences of any such series, and the number of shares constituting any such series and the designation thereof, of any of the foregoing. The Board of Directors is further authorized to increase (but not above the total number of authorized shares of the class) or decrease (but not below the number of shares of any such series of outstanding) the number of shares of any series, the number of which was fixed by it, subject to the powers, preferences and rights, and the qualifications, limitations and restrictions thereof stated in the Certificate of Incorporation or the resolution of the Board of Directors originally fixing the number of shares of such series.

#### *Common shares issued for services*

The Company entered into various consulting agreements with third parties (“Consultants”) pursuant to which these Consultants provided business development, sales promotion, introduction to new business opportunities, strategic analysis, and sales and marketing activities. In addition, the Company issues its employees and board members common shares to reward performance and participation. During the nine months ended September 30, 2022, and the years ended December 31, 2021 and 2020, the Company issued 1,020,000, 685,000 and 675,000 shares of common stock to these consultants, board members, and employees, with a fair value of \$133,000, \$206,000 and \$513,000 at the date of grant, respectively, which was recognized as compensation cost during the periods then ended.

#### **NOTE 11 – INCOME TAXES**

At December 31, 2021, 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).

Effective January 1, 2007, the Company adopted FASB guidelines that address the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, we may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position should be measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement. This guidance also provides guidance on de-recognition, classification, interest and penalties on income taxes, accounting in interim periods and requires increased disclosures. At the date of adoption, and as of September 30, 2022 and December 31, 2021, the Company did not have a liability for unrecognized tax benefits, and no adjustment was required at adoption.

The Company’s policy is to record interest and penalties on uncertain tax provisions as income tax expense. As of September 30, 2022 and December 31, 2021, the Company has not accrued interest or penalties related to uncertain tax positions. Additionally, tax years 2019 through 2021 remain open to examination by the major taxing jurisdictions to which the Company is subject.

Upon the attainment of taxable income by the Company, management will assess the likelihood of realizing the tax benefit associated with the use of the carryforwards and will recognize the appropriate deferred tax asset at that time.

No federal tax provision has been provided for the years ended December 31, 2021 and 2020 due to the losses incurred during such periods. The reconciliation below presents the difference between the income tax rate computed by applying the U.S. federal statutory rate and the effective tax rate for the years ended December 31, 2021 and 2020.

|  | <u>December 31,</u><br><u>2021</u> | <u>December 31,</u><br><u>2020</u> |
|--|------------------------------------|------------------------------------|
| U. S. federal statutory tax rate               | (21.0)%                            | (21.0)%                            |
| State income taxes, net of federal tax benefit | (3.0)%                             | (3.0)%                             |
| Change in valuation allowance                  | <u>24.0%</u>                       | <u>24.0%</u>                       |
| Effective tax rate                             | <u>0.0%</u>                        | <u>0.0%</u>                        |

#### NOTE 12 – LEGAL PROCEEDINGS

In 2016, two civil actions (Case No: 16-CA-2026 and Case No.: 16-CA-2027, collectively the “Cases”) were commenced in the Twentieth Judicial Circuit In and For Lee County, Florida, both styled as: *Iberiabank, a Louisiana State-Chartered Bank v. Telecommunication Conexxions of Florida, Inc., a Florida corporation, MeloDee Stephenson, Robert Radcliff, et. al.* On or about November 5, 2021, Deficiency Judgments entered in the Cases were assigned and transferred without recourse to Storey Mountain, LLC (the “Judgment Creditor”).

In or about February 11, 2022, Judgment Creditor filed a Motion to Commence Proceedings Supplementary to Execution in the Cases. On or about April 11, 2022, *Notices to Appear* directed to Comconexx, LLC (“Comconexx”) were filed in the Cases. On or about May 24, 2022, Judgment Creditor filed an *Ex-Parte Motion for Default and Default Final Judgment*, against Comconexx in the Cases. On or about May 25, 2022, Defaults were entered in the Cases against Comconexx for failure to serve responses in the proceedings. On or about May 26, 2022, Default Final Judgments (the “Default Final Judgments”) were entered against Comconexx, LLC in the Cases.

On or about June 8, 2022, Comconexx filed an *Emergency Motion to Set Aside Default Final Judgment and Quash Service* in both Cases (the “Emergency Motions”). In the Emergency Motions, Comconexx asserts that the Default Final Judgments should be set aside based on the following grounds: (1) service of process upon Comconexx was legally invalid, and (2) excusable neglect exists for the failure to serve a response.

Following the filing of Comconexx’s Emergency Motions, the Court referred the matters to a General Magistrate (the “Magistrate”). Discovery commenced, and objections have been filed pertaining to the breadth of certain discovery, and a number of other motions and responses have been filed as well. On August 4, 2022, the Magistrate heard certain of the pending motions and responses, and the Magistrate ruled that there should be a stay of execution

on the Default Final Judgments while permitting the Judgment Creditor to take certain additional discovery prior to scheduling an evidentiary hearing on the Emergency Motions.

**NOTE 13 – SUBSEQUENT EVENTS**

*None*